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BOARD OF DIRECTORS

Mr. Arif Habib

Chairman

Mr. Fawad Ahmed Mukhtar

Chief Executive Officer

Mr. Fazal Ahmed Sheikh

Executive Director

Mr. Nasim Beg

Mr. Faisal Ahmed Mukhtar

Mr. Rehman Naseem

Mr. Abdus Samad

Mr. Muhammad Kashif

KEY MANAGEMENT

Mr. M. Abad Khan

Advisor to the CEO

Mr. Qadeer Ahmed Khan

Director Operations

Mr. Muhammad Zahir

Director Marketing

Mr. Tanvir H. Qureshi

Group Head Human Resource

Mr. Arif Hamid Dar

Chief Financial Officer

arif.dar@fatima-group.com

Mr. Ausaf Ali Qureshi

Company Secretary

ausaf.queshi@fatima-group.com

Brig (R) Muhammad Ali Asif Sirhindi

General Manager Administrative Services

Mr. Muhammad Saleem Zafar

General Manager Projects

AUDIT COMMITTEE

Mr. Nasim Beg

Chairman

Mr. Fazal Ahmed Sheikh

Member

Mr. Rehman Naseem

Member

Mr. Muhammad Kashif

Member

LEGAL ADVISORS

M/s. Chima & Ibrahim
Advocates
1-A/ 245, Tufail Road
Lahore Cantt.

AUDITORS

A. F. Ferguson & Co.,
Chartered Accountants, Lahore.

TFCs & PPTFCs REGISTRAR

THK Associates (Pvt) Limited
Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road
Karachi - 75530
Tel: No. 92-21-111-000-322
Fax: No. 92-21-35655595

BANKERS

National Bank of Pakistan Limited
Habib Bank Limited
Allied Bank Limited
MCB Bank Limited
United Bank Limited
Dubai Islamic Bank Limited
Standard Chartered Bank (Pakistan) Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Askari Bank Limited
Summit Bank Limited
Meezan Bank Limited
Faysal Bank Limited
Al-Baraka Islamic Bank Limited
Soneri Bank Limited
Bank Islami Pakistan
Deutsche Bank Limited

REGISTERED & HEAD OFFICE

E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.
UAN: 111-FATIMA (111-328-462)
Fax: 042-36621389
E-mail: mail@fatima-group.com

KARACHI OFFICE

21-Oil Installation Area, Keamari,
Karachi.
Ph # 021-2855444-5
Fax # 021-2855446

PLANT SITE

Khanewal Road, Multan.
Ph # 061-9220022
Fax # 061-9220021

Directors' Report to the Members

Dear Shareholders

On behalf of the Board of Directors of Pakarab Fertilizers Limited, I am pleased to present the financial and operating results of the Company for the nine months ended September 30, 2010.

Financial Review:

For the nine months ended September 30, 2010, your company earned a pre-tax profit of Rs. 2,284 million and after tax profit of Rs. 1,659 million as against pre-tax profit of Rs. 2,302 million and after tax profit of Rs. 1,839 million for the nine months ended September 30, 2009. Although the gross margin in relative terms has shown an upward trend over the corresponding period last year, the decline in overall sales, increased financing cost and loss on re-measurement of financial assets at fair value have contributed to decreased profitability.

Summary of financial results for the nine months ended September 30, 2010 & 2009 is given below:-

	Sept. 30, 2010	Sept. 30, 2009
Sales (Rs. in millions)	11,000	13,226
Gross Profit (%)	49	44
Profit before tax to sales (%)	21	17
EBITDA (Rs. in millions)	5,464	5,023
EBITDA Per Share (Rupees)	12.14	11.16
Earnings Per Share (Rupees)	3.69	4.09
Breakup value per share (Rupees)	23	26

Production Review

Production of CAN and NP were higher by 6.7 % and 13.6 % respectively as compared to the corresponding period last year on account of improved efficiencies, however, production of Urea was lower by 30.1 % mainly due to stoppages and periodic curtailment of gas supply.

The product wise fertilizer production during the period as compared to last corresponding period is as under:

Products	Jan. 10 to Sept. 10	Jan. 09 to Sept. 09	Variance
	Metric Ton	Metric Ton	Metric Ton
Calcium Ammonium Nitrate (CAN)	257,745	241,483	16,262
Nitro Phosphate (NP)	232,165	204,352	27,813
Urea	53,999	77,293	(23,294)
Total	543,909	523,128	20,781

Sales Review

Sale of CAN fertilizer in quantitative term increased by 7.4 % and NP and Urea sales decreased by 34% and 42.7% respectively as compared to corresponding period of last year.

CAN sales grew over last year on the back of strong demand in the sugar cane sector. NP sales were significantly lower as compared to the corresponding period. In beginning of 2009, the company had piled up stocks due to low demand at the end of 2008. Hence the company was able to sell larger volumes in the first nine months of the year of 2009 and the Rabi season of 2009. However, the total Pakistan phosphate market declined in the current period as compared to corresponding period of last year. It is estimated that the phosphate market declined by 52% during kharif due to increasing trend in prices of phosphate products. Sales of Urea declined primarily due to lower production because of gas stoppages and flood impact during the period ended September 30, 2010.

The sales figures were as follows:

Products	Jan. 10 to Sept. 10	Jan. 09 to Sept. 09	Variance
	Metric Ton	Metric Ton	Metric Ton
Calcium Ammonium Nitrate (CAN)	246,427	229,405	17,022
Nitro Phosphate (NP)	195,115	295,536	(100,421)
Urea	42,059	73,357	(31,298)
Total	483,601	598,298	(114,697)

Near Future Outlook

Your company is promoting balanced use of fertilizers amongst the farmers and it steadily building capability and strength to reach out to the farmers to educate and guide them keeping in view their needs. Despite, recent floods and overall instability in growth of the agricultural sector, your company anticipates surge in demand in the balance of the year. Our team is determined to achieve improved Financial Performance in the last quarter of the year.

The directors would like to place on record their appreciation for the assistance, guidance and cooperation that your company received from all the stakeholders including the Customers, Business Associates, Financial Institutions, GOP and all the employees of the Company

On behalf of the Board

Lahore
October 22, 2010

Arif Habib
Chairman

Condensed Interim Balance Sheet

As at September 30, 2010

	Note	Un-audited September 2010 (Rupees in thousand)	Audited December 2009
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued, subscribed and paid up share capital		4,500,000	4,500,000
Reserve		4,995,352	4,995,352
Share deposit money		200,000	200,000
Un-appropriated profit		471,246	4,643,516
		10,166,598	14,338,868
Surplus on revaluation of property, plant and equipment		2,475,847	2,475,847
LONG TERM LIABILITIES			
Long term finances - secured	5	14,721,922	16,190,741
Liabilities against assets subject to finance lease		158,159	106,720
Payable against mining rights		-	52,500
Long term deposits		42,780	732,241
Deferred liabilities		62,041	45,760
Deferred taxation		4,968,130	4,987,221
		19,953,032	22,115,183
CURRENT LIABILITIES			
Current portion of long term liabilities		3,091,078	1,338,502
Short term borrowings - secured		7,439,130	5,555,693
Payable to Privatization Commission		2,197,901	2,197,901
Trade and other payables		2,575,618	2,276,833
Dividend payable		2,911,743	-
Accrued finance cost		953,749	989,422
Provision for taxation		579,278	132,780
		19,748,497	12,491,131
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		52,343,974	51,421,029

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

-Sd-

Chief Executive

	Note	Un-audited September 2010	Audited December 2009 (Rupees in thousand)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	21,422,628	21,285,201
Assets subject to finance lease		176,197	147,524
Intangibles		188,933	205,693
Goodwill		3,305,163	3,305,163
Investments	8	5,841,304	7,881,744
Long term loans - unsecured		4,252,379	2,196,320
Security deposits		45,245	17,546
		35,231,849	35,039,191
CURRENT ASSETS			
Stores and spare parts		2,195,860	1,880,195
Stock-in-trade		3,766,065	2,810,923
Trade debts		279,742	704,555
Advances, deposits, prepayments and other receivables		3,414,715	6,813,295
Derivative financial instruments		12,834	7,882
Investments	9	6,520,063	3,930,000
Cash and bank balances		922,846	234,988
		17,112,125	16,381,838
		52,343,974	51,421,029

-Sd-
Director

Condensed Interim Profit and Loss Account (Un-audited)

For the quarter and period ended September 30, 2010

	Note	For the Quarter Ended		For the Period Ended	
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
(Rupees in thousand)					
Sales	10	3,648,552	3,845,829	11,000,036	13,226,060
Cost of sales	11	(1,890,665)	(2,210,163)	(5,603,009)	(7,443,300)
Gross profit		1,757,887	1,635,666	5,397,027	5,782,760
Administrative expenses		(197,862)	(144,179)	(581,414)	(443,956)
Selling and distribution expenses		(169,316)	(254,431)	(475,840)	(645,322)
Other operating expenses		(55,320)	(33,959)	(180,954)	(179,308)
Other operating income		335,668	27,576	981,054	117,288
Profit from operations		1,671,057	1,230,673	5,139,873	4,631,462
Finance cost		(941,799)	(785,647)	(2,703,423)	(2,314,461)
Share of loss of associated company		(18,588)	-	(33,041)	(14,984)
Loss on re-measurement of financial assets at fair value through profit or loss		(4,140)	-	(119,680)	-
Profit before taxation		706,530	445,026	2,283,729	2,302,017
Taxation		(193,264)	(56,319)	(624,691)	(463,000)
Profit for the period		513,266	388,707	1,659,038	1,839,017
Earning per share basic and diluted	12	1.14	0.86	3.69	4.09

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter and period ended September 30, 2010

Note	For the Quarter Ended		For the Period Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Rupees in thousand)			
Profit after taxation	513,266	388,707	1,659,038	1,839,017
Other comprehensive income				
Hedging reserve transferred to cost of plant and machinery in capital work in progress on expiry of foreign currency options - net of tax	-	-	-	9,545
Total comprehensive income for the period	513,266	388,707	1,659,038	1,848,562

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the period ended September 30, 2010

(Rupees In Thousand)

	Share Capital	Share Premium	Hedging Reserve	General reserve	Total reserve	Share Deposit Money	Un-appropriated Profit	Total
Balance as at December 31, 2008 (audited)	3,000,000	1,048,652	(9,545)	606,700	1,645,807	240,000	7,090,638	11,976,445
Share deposit money paid	-	-	-	-	-	(40,000)	-	(40,000)
Effective portion of loss arising on marked to market foreign currency options entered into as part of cash flow hedge for the purchase of plant and machinery	-	-	9,545	-	9,545	-	-	9,545
Stock Dividend	1,500,000	(1,048,652)	-	(451,348)	(1,500,000)	-	-	-
Transfer to general reserve	-	-	-	7,090,000	7,090,000	-	(7,090,000)	-
Dividend as specie distribution	-	-	-	(2,250,000)	(2,250,000)	-	-	(2,250,000)
Total comprehensive income for the period ended September 30, 2009	-	-	-	-	-	-	1,839,017	1,839,017
Balance as at September 30, 2009	4,500,000	-	-	4,995,352	4,995,352	200,000	1,839,655	11,535,007
Total comprehensive income for the quarter ended December 31, 2009	-	-	-	-	-	-	2,803,860	2,803,860
Balance as at December 31, 2009 (audited)	4,500,000	-	-	4,995,352	4,995,352	200,000	4,643,515	14,338,867
Specie dividend	-	-	-	-	-	-	(5,831,307)	(5,831,307)
Total comprehensive income for the period ended September 30, 2010	-	-	-	-	-	-	1,659,038	1,659,038
Balance as at September 30, 2010	4,500,000	-	-	4,995,352	4,995,352	200,000	471,246	10,166,598

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the period ended September 30, 2010

	Note	January 1 to September 30 2010	September 30 2009
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	4,189,492	8,635,365
Finance cost paid		(2,739,095)	(2,186,978)
Taxes paid		(197,284)	(380,437)
Retirement benefits paid		(11,396)	(24,012)
Long term deposits		(27,698)	(8,178)
Net cash inflow from operating activities		1,214,019	6,035,760
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(520,595)	(1,149,581)
Security deposits		-	14,552
Sale proceeds of property, plant and equipment disposed		11,363	407
Investments purchased		(20,000)	(6,093,108)
Long term loan to related party		(2,056,059)	(2,000,000)
Return on bank deposits received		7,398	5,949
Net cash outflow from investing activities		(2,577,893)	(9,221,781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of redeemable capital		(297,000)	-
Proceeds from long term loans		574,016	3,396,189
Share deposit money refunded		-	(40,000)
Payment of liability against mining rights		(52,500)	-
Repayment of finance lease liability		(56,221)	(31,542)
Net cash inflow from financing activities		168,295	3,324,647
Net (decrease) / increase in cash and cash equivalents		(1,195,579)	138,626
Cash and cash equivalents at the beginning of the period		(5,320,705)	(5,146,499)
Cash and cash equivalents at the end of the period	14	(6,516,284)	(5,007,873)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

1. THE COMPANY AND ITS ACTIVITIES

Pakarab Fertilizers Limited (the Company) was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Ordinance, 1984). The Company's status changed to a non-listed public company from June 7, 2007. The Company listed its Term Finance Certificates on the Karachi Stock Exchange on March 28, 2008. Consequently, the Listing Regulations of the Karachi Stock Exchange are now applicable to the Company. It is principally engaged in the manufacturing and sale of chemical fertilizers and generation and sale of Certified Emission Reductions (CERs). The manufacturing facility of the Company is located in Multan. Address of the registered office of the Company is E-110, Khayaban-e-Jinnah, Lahore Cantt. Lahore.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended December 31, 2009. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended December 31, 2009 whereas comparative profit and loss account, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial statements for the period ended September 30, 2009.

3. BASIS OF MEASUREMENT AND ESTIMATES

These financial statements have been prepared under the historical cost convention except for certain assets and certain financial instruments which are measured at fair values.

This condensed interim financial information requires the management to make difficult, subjective or complex judgments or estimates. It is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The significant judgments and estimates made by the management in applying the company's accounting policies were the same as those applied to the audited financial statements for the year ended 31-12-2009.

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of audited financial statements for the period ended 31-12-2009.

	Note	Un-audited September 30, 2010 (Rupees in thousand)	Audited December 31, 2009
5. LONG TERM FINANCES - SECURED			
Long term financing-Secured	5.1	17,643,979	17,366,963
Less: Amount payable within twelve months shown as current maturity		(2,922,055)	(1,176,222)
		14,721,924	16,190,741
5.1 MOVEMENT IN THIS ACCOUNT DURING THE PERIOD / YEAR IS AS FOLLOWS:			
Opening balance:			
Redeemable capital		11,497,000	4,999,000
Bridge finances		-	7,663,135
Long term loans		3,832,463	1,145,130
Syndicated term finance		2,037,500	-
		17,366,963	13,807,265
Disbursement during the period / year:			
Bridge finances		-	386,866
Long term loans		1,065,301	1,137,333
Syndicated term finance		-	2,037,500
		1,065,301	3,561,699
Conversion of bridge finance to:			
Redeemable capital		-	6,500,000
Long term loans		-	1,550,000
		-	8,050,000
Repayment during the period / year :			
Redeemable capital		297,000	2,000
Long term loans		491,286	-
		788,286	2,000
Closing balance:			
Redeemable capital		11,200,000	11,497,000
Long term loans		4,406,479	3,832,463
Syndicated term finance		2,037,500	2,037,500
		17,643,979	17,366,963

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

(i) The company has netted off an amount of Rs 240.119 million from the amount payable to the Privatization Commission, as part of purchase consideration, at the time and in the event the refund is received from the tax authorities. In case, the company's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the company is contingently liable to the aforesaid amount of Rs 240.119 million. In case, the amount becomes payable, the corresponding effect would be reflected in the computation of goodwill.

(ii) The company has issued following guarantees in favour of:
Sui Northern Gas Pipelines Limited against gas sale amounting to Rs 8.846 million (December 31, 2009: Rs 7.655 million).

Fatima Fertilizer Company Limited, an associated company (formerly subsidiary) and Habib Bank Limited (the Security Trustee) in respect of the company's obligations for equity contributions in the associated company under the terms of the Sponsor Support Agreement dated March 6, 2009 between the company, the associated company and its sponsors and lenders.

(iii) Indemnity bonds aggregating Rs 156.810 (December 31, 2009: Rs. 123.500 million) issued to the Customs authorities in favour of The President of Islamic Republic of Pakistan under SRO 489(I)/2000 for the value of goods exported and to be re-imported.

(iv) As at June 30, 2004, the company had investment of 140,000 ordinary shares of Rs 10 each valuing Rs 100,000 in National Fertilizer Marketing Limited, being the associated company on that date. On May 20, 2005, this investment was transferred to National Fertilizer Corporation of Pakistan (Private) Limited by the management of the company. However, the new buyer, Reliance Exports (Private) Limited filed an application before Privatization Commission challenging this transfer on the grounds that such transfer had been carried out against the terms and conditions of the bid documents. In case of a positive outcome to the application, this investment would be re-instated.

(v) The amount of Rs 129.169 million was withdrawn by the previous members of the Company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement. Out of the aggregate amount, Rs 89.39 million represents the value of certain catalysts recovered in consequence of clean down operations of the plant prior to undertaking the process of privatization, which was accounted for as income in the financial statements for the year ended June 30, 2005 in the light of applicable financial reporting framework. The management of the Company feels that notwithstanding the applicability of the financial reporting framework, on the financial statements for the year ended June 30, 2005, the amount was not distributable as part of dividend for that year in view of the

clear understanding behind the execution of the Agreement as categorically confirmed, in writing, by the Privatization Commission prior to signing of the Agreement. Similarly, the balance amount of Rs 39.779 million is considered to be dividend distribution out of the then available reserves which was also not distributable to the previous members in terms of other covenants of the Agreement.

The Company has filed a claim for the recovery of the aforesaid aggregate amount on the grounds that in the present form, the distribution has been made out of the accumulated reserves, for the years upto June 30, 2004, which, under the specific provisions of the Agreement were not distributable to the previous members of the Company. In case of a positive outcome to the company's claim, the excess dividend withdrawn by the previous members of the Company would be recovered.

- (vi) Included in advances, deposits, prepayments and other receivables is sales tax recoverable of Rs 134.022 million (December 31, 2009: Rs 134.022 million) which primarily represents the input sales tax paid by the company on acquisition of raw materials that became refundable due to promulgation of notification SRO 535(I)/2008 dated June 11, 2008 through which fertilizer products manufactured by the company were exempted from levy of sales tax. The company's claim of refund on this account was not entertained by Federal Board of Revenue (FBR) on the premise that since subject raw materials were subsequently consumed in manufacture of a product exempt from levy of sales tax, claim was not in accordance with the relevant provisions of the Sales Tax Act, 1990.

Company's management being aggrieved with the interpretation advanced by FBR on the issue has preferred a writ petition before the honourable Lahore High Court, which has not yet been disposed off. Since company's management considers that claim of refund is completely in accordance with relevant statutory framework and expects relief from appellate authorities on this account, it considers that the receivable amount is un-impaired at the balance sheet date.

- (vii) For assessment years 1993-94 and 1995-96 through 2002-2003 and for tax years 2003 through 2005, the company, in view of the position taken by the tax authorities that the income of the company is chargeable to tax on the basis of 'net income', had provided for in the financial information, the tax liability on net income basis which aggregated to Rs 5,223.343 million. Tax liabilities admitted in respective returns of total income in respect of these assessment/tax years, however, aggregated to Rs 1,947.671 million being the liabilities leviable under the Presumptive Tax Regime ('PTR'), considered by the management to be applicable in respect of company's income from sale of own manufactured fertilizer products.

The Income Tax Appellate Tribunal ('ITAT') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-2003 upheld the company's position as taken in

For the quarter and period ended September 30, 2010

respective returns of total income and consequently, management reversed the excess provisions aggregating to Rs 3,275.673 million on the strength of such judgments. ITAT's decisions in respect of certain assessment years have also been upheld by the Lahore High Court while disposing departmental appeals against respective orders of ITAT. Income tax department has statedly agitated the issue further before Supreme Court of Pakistan, which is pending adjudication.

In view of the favourable disposal of the matter upto the level of High Court, management of the company feels that the decision of the apex court would also be in the favour of the company and hence in this financial information, tax liabilities in respect of above referred assessment/tax years have been provided on the basis that company's income during such years was taxable under PTR. In case, the apex court decides the matter otherwise, amount aggregating to Rs 3,275.673 million will have to be recognized as tax expense in respect of such assessment/tax years.

(viii) Claims against the company not acknowledged as debts Rs 23.051 million (December 31, 2009: Rs. 23.051 million)

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs. 448.221 million (December 31, 2009: Rs 549.251 million).
- (ii) Letters of credit other than for capital expenditure Rs 87.938 million (December 31, 2009: Rs 511.345 million).
- (iii) Purchase orders aggregating Rs 15.930 million (December 31, 2009: Rs 7.801 million) were placed and letters of credit were established subsequently.

Un-audited September 30, 2010	Audited December 31, 2009
(Rupees in thousand)	

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	20,326,747	20,585,253
Capital work-in-progress	1,095,881	699,948
	21,422,628	21,285,201
Opening book value	20,585,253	18,517,527
Additions during the period	160,459	2,586,170
Book value of fixed assets disposed off during the period	(2,297)	(2,025)
Depreciation charged during the period	(416,668)	(516,419)
Closing book value	20,326,747	20,585,253

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

Note	Un-audited September 30, 2010 (Rupees in thousand)	Audited December 31, 2009
7.1 Additions during the period:		
Building	-	16,642
Plant and machinery	72,059	2,481,371
Furniture and fixtures	43,681	637
Tools and equipment	7,873	61,781
Vehicles	27,236	25,739
Catalysts	9,610	-
	160,459	2,586,170
8. INVESTMENTS		
At fair value through profit or loss:		
- Subsidiary company – quoted		
Fatima Fertilizer Company Limited		
NIL (2009: 900,000,000)		
fully paid ordinary shares of Rs 10		
each. Equity held NIL (2009: 50%)	8.1	- 11,790,000
Less: Investment classified under		
current assets – 300,000,000 fully paid		
ordinary shares of Rs 10 each		- (3,930,000)
		- 7,860,000
Associated company – quoted:		
Fatima Fertilizer Company Limited		
450,000,000 (2009: 900,000,000)		
fully paid ordinary shares of Rs 10		
each. Equity held 22.50% (2009: NIL)	8.2	5,817,652 -
Held to maturity:		
- Other		
	23,652	21,744
	5,841,304	7,881,744

For the quarter and period ended September 30, 2010

8.1 The company previously held 25% voting rights, in addition to its 45% direct holding in Fatima Fertilizer Company Limited ('FATIMA'), by virtue of an agreement between the company and other members of FATIMA, whereby FATIMA was a subsidiary of the company and was designated by the company's management as 'financial asset at fair value through profit or loss' under IAS 39 'Financial Instruments: Recognition and Measurement' in the separate financial statements of the company in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'.

The aforementioned agreement was revoked on April 14, 2010 due to which the company's control of the voting rights in FATIMA reduced to the extent of its 45% direct holding. Consequently, with effect from April 14, 2010, the company does not have control to govern the financial and operating policies of FATIMA, however, it retains significant influence. In view of the above, FATIMA became an associated company with effect from April 14, 2010 and is being accounted for under the equity method of accounting since that date. The fair value of the company's investment in 900 million ordinary shares of FATIMA on April 14, 2010 was Rs 11,682 million, based on a market value of Rs 12.98 per share, which has been considered as deemed cost upon initial recognition of investment in associate in accordance with the requirements of IAS 27 (revised), 'Consolidated and Separate Financial Statements'.

	Note	Un-audited September 30, 2010 (Rupees in thousand)	Audited December 31, 2009
8.2 Investment in associate - quoted			
Transferred from investment in subsidiary (at initial recognition)		11,682,000	-
Divestment during the period through distribution as "specie dividend"		(2,919,564)	-
		8,762,436	-
Share of loss of associated company		(33,041)	-
		8,729,395	-
Less: Classified under current assets	9.1	(2,911,743)	-
		5,817,652	-

The share of loss of associated company is based on its un-audited results.

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

	Note	Un-audited September 30, 2010 (Rupees in thousand)	Audited December 31, 2009
9. INVESTMENTS			
At fair value through profit or loss:			
– Subsidiary company – quoted			
Fatima Fertilizer Company Limited	8	–	3,930,000
Other – Wateen Telecom Limited			
2,000,000 (2009: NIL) fully paid ordinary shares of Rs 10 each		8,320	–
Investment in associate – quoted	9.1	2,911,743	–
Available for sale:			
Associated company – quoted			
Fatima Fertilizer Company Limited			
360,000,000 (2009: NIL) un-quoted fully paid non-voting convertible cumulative preference shares of Rs 10 each extent of preference shares held 90%	9.2	3,600,000	–
		6,520,063	3,930,000

9.1 This investment has been earmarked for distribution as ‘specie dividend’, hence, classified as current.

9.2 These investments have been classified as current on management’s intention that in the next twelve months from the balance sheet date, the company may distribute these investments as ‘specie dividend’ in line with the past dividend distribution practice or it may dispose of these investments to meet the working capital requirements of the company.

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

	Rupees In Thousand											
	Fertilizers				Clean Development Mechanism				Total			
	Quarter Ended		Period Ended		Quarter Ended		Period Ended		Quarter Ended		Period Ended	
	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009
SEGMENT RESULTS												
SALES												
3,648,552	3,195,370	10,646,985	11,549,044	-	650,459	353,051	1,677,016	3,648,552	3,845,829	11,000,036	13,226,060	
1,890,177	2,188,423	5,593,905	7,395,681	488	21,740	9,103	47,619	1,890,665	2,210,163	5,603,009	7,443,300	
1,758,374	1,006,947	5,053,080	4,153,363	(488)	628,719	343,948	1,629,397	1,757,887	1,635,666	5,397,027	5,782,760	
ADMINISTRATIVE AND GENERAL EXPENSES												
197,863	139,283	577,361	426,306	-	4,896	4,054	17,650	197,863	144,179	581,414	443,956	
SELLING AND DISTRIBUTION EXPENSES												
167,788	96,462	427,024	346,165	1,528	157,969	48,816	299,157	169,316	254,431	475,840	645,322	
1,392,723	771,202	4,048,695	3,380,892	(2,015)	465,854	291,078	1,312,590	1,390,708	1,237,056	4,339,773	4,693,482	
SEGMENT RESULTS												
3,581,742	3,122,040	10,424,488	11,378,872	-	-	-	-	3,581,742	3,122,040	10,424,488	11,378,872	
-	-	-	-	-	650,459	353,051	1,677,016	-	650,459	353,051	1,677,016	
3,581,742	3,122,040	10,424,488	11,378,872	-	650,459	353,051	1,677,016	3,581,742	3,772,499	10,777,539	13,055,888	
90,587	73,530	259,399	202,004	-	-	-	-	90,587	73,530	259,399	202,004	
18,208	-	18,208	14,717	-	-	-	-	18,208	-	18,208	14,717	
5,569	-	18,695	17,115	-	-	-	-	5,569	-	18,695	17,115	
3,648,552	3,195,370	10,646,985	11,549,044	-	650,459	353,051	1,677,016	3,648,552	3,845,829	11,000,036	13,226,060	
10 SALES												
Fertilizer products												
- Own manufactured												
- Certified Emission Reductions												
Mid products												
Less: Sales incentive												
Discount												

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

	Rupees In Thousand											
	Fertilizers			Clean Development Mechanism			Total			Period Ended		
	Quarter Ended	Period Ended	Quarter Ended	Quarter Ended	Period Ended	Quarter Ended	Quarter Ended	Period Ended	Quarter Ended	Period Ended	Quarter Ended	Period Ended
Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	Sept. 2010	Sept. 2009	
11 COST OF GOODS SOLD												
Raw material consumed	1,134,985	1,151,934	3,238,274	3,277,954	2,236	2,097	6,264	5,868	1,137,222	1,154,031	3,244,538	3,283,822
Packing material consumed	72,168	59,584	201,710	219,139	-	-	-	-	72,168	59,584	201,710	219,139
	1,207,153	1,211,518	3,439,984	3,497,093	2,236	2,097	6,264	5,868	1,209,390	1,213,615	3,446,248	3,502,961
Salaries, wages and other benefits	201,925	176,771	520,915	486,586	1,823	1,319	4,218	3,577	203,748	178,090	525,133	490,163
Fuel and power	403,989	483,923	1,144,868	1,402,738	1,372	1,178	3,621	3,336	405,360	485,101	1,148,489	1,406,074
Chemicals and catalysts consumed	118,904	74,063	318,747	213,101	-	-	-	-	118,904	74,063	318,747	213,101
Spare parts consumed	65,784	52,190	234,672	215,372	586	717	5,059	784	66,370	52,907	239,731	216,156
Stores consumed	22,446	10,484	91,112	87,185	644	371	1,928	1,600	23,089	10,855	93,040	88,785
Repairs and maintenance	10,562	12,245	55,098	60,445	3,199	2,21	3,348	627	13,761	12,466	58,446	61,072
Insurance	64,921	38,840	194,289	125,048	1,130	3,077	3,386	4,229	66,051	41,917	197,685	129,277
Depreciation	104,088	92,078	311,631	277,236	2,006	2,002	6,019	5,996	106,094	94,080	317,650	283,232
Depreciation on assets subject to finance lease	5,782	-	17,765	-	-	-	-	-	5,782	-	17,765	-
Other expenses	2,070	3,311	29,238	15,836	-	4,486	2,669	12,716	2,070	7,797	31,906	28,552
	2,207,624	2,155,423	6,358,328	6,380,640	12,996	15,468	36,512	38,733	2,220,620	2,170,891	6,394,840	6,419,373
Opening stock of mid products	15,085	13,676	12,153	9,324	-	-	-	-	15,085	13,676	12,153	9,324
Closing stock of mid products	(9,931)	(34,541)	(9,931)	(34,542)	-	-	-	-	(9,931)	(34,541)	(9,931)	(34,542)
	5,154	(20,865)	2,222	(25,218)	-	-	-	-	5,154	(20,865)	2,222	(25,218)
	2,212,778	2,134,558	6,360,550	6,355,422	12,996	15,468	36,512	38,733	2,225,774	2,150,026	6,397,062	6,394,155
Opening stock of finished goods manufactured	906,686	438,022	462,643	1,424,415	41,013	9,266	26,113	11,880	947,699	447,288	488,755	1,436,295
Closing stock of finished goods manufactured	(1,229,287)	(384,157)	(1,229,287)	(384,156)	(53,521)	(2,994)	(53,521)	(2,994)	(1,282,808)	(387,151)	(1,282,808)	(387,150)
	(322,601)	53,865	(766,644)	1,040,259	(12,508)	6,272	(27,409)	8,886	(335,109)	60,137	(794,053)	1,049,145
	1,890,177	2,188,423	5,593,905	7,395,681	488	21,740	9,103	47,619	1,890,665	2,210,163	5,603,009	7,443,300

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

	For the Quarter Ended		For the Period Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
(Rupees in thousand)				
12 EARNING PER SHARE				
12.1 Basic earnings per share				
Net profit for the period (Rupees in thousand)	513,266	388,707	1,659,038	1,839,017
Weighted average number of shares (Number)	450,000,000	450,000,000	450,000,000	450,000,000
Earnings per share (Rupees)	1.14	0.86	3.69	4.09
12.2 Diluted earnings per share				
A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at September 30, 2010 and September 30, 2009 which would have any effect on the earnings per share if the option to convert is exercised.				
			January 1 to September 30	
			2010	2009
			(Rupees in thousand)	
13 CASH GENERATED FROM OPERATIONS				
Profit before taxation			2,283,729	2,302,017
Adjustments for:				
Depreciation			477,114	406,109
Retirement benefits accrued			30,890	38,054
Profit on disposal of operating fixed assets			(2,822)	(75)
Finance cost			2,703,422	2,236,957
Return on bank deposits and others			(7,398)	(5,949)
Unrealised income on investment held to maturity			(1,908)	-
Unrealised loss on re-measurement of investments			119,680	-
Provisions and unclaimed balances written back			(55,991)	-
Share of loss from associate			33,041	14,983
Gain on derivative financial instruments			(4,953)	-
Profit before working capital changes			5,574,804	4,992,096
Effect on cash flow due to working capital changes				
Decrease / (Increase) in stores and spare parts			(315,666)	(66,881)
Decrease/(Increase) in stock in trade			(955,144)	1,674,470
Decrease/(increase) in trade debts			(264,649)	(708,640)
Decrease / (Increase) in advances, deposits, prepayments and other receivables			(201,417)	2,747,851
(Decrease)/Increase in trade and other payables			351,564	(3,531)
			(1,385,312)	3,643,269
Cash generated from operations			4,189,492	8,635,365

Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

For the quarter and period ended September 30, 2010

	January 1 to September 30 2010 2009 (Rupees in thousand)	
14 CASH AND CASH EQUIVALENTS		
Short term borrowings - secured	(7,439,130)	(5,343,427)
Cash and bank balances	922,846	335,554
	(6,516,284)	(5,007,873)

15 TRANSACTIONS WITH RELATED PARTIES:

The related parties comprise associated undertakings, other related group companies, key management personnel and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under relevant receivables and payables heads. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transaction	January 1 to September 30 2010 2009 (Rupees in thousand)	
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	33,460	40,409
ii. Key management personnel	Salaries and other employee benefits	304,311	201,359
iii. Associated companies	Book value of operating fixed assets sold	-	332
	Markup expense on share deposit money	21,185	24,287
	Markup expense on loan from associated company	-	56,426
	Markup income on loans to subsidiary	102,880	-
	Markup income on loans to associated company	253,210	-
	Dividend income on preference shares of subsidiary	148,080	-
	Dividend income on preference shares of associated company	257,560	-
iv. Other related parties	Markup charged on loans from related parties	-	27,470

All transactions with related parties have been carried out on commercial terms and conditions.

	Un-audited September 30, 2010	Audited December 31, 2009
	(Rupees in thousand)	
16 PERIOD END BALANCES		
Payable to related parties	3,744	7,047
Long term loans to associated company	4,252,379	2,000
Mark up receivable from associated company	85,198	-
Preference dividend receivable from associated company	405,640	-
Receivable from related parties	34,579	-

These are in the normal course of business and are interest free except for the long term loans to associated company.

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 22,2010 by the Board of Directors of the company.

18 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Sd/-
Chief Executive

Sd/-
Director