Condensed Interim Financial Statements
for the nine months ended September 30, 2012

Committed to transparent and sustainable growth

pakarab
FERTILIZERS LIMITED

Contents

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh
Mr. Nasim Beg
Mr. Faisal Ahmed Mukhtar
Mr. Rehman Naseem
Mr. Abdus Samad
Mr. Muhammad Kashif Habib

Audit Committee

Mr. Nasim Beg
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Rehman Naseem
Member

Mr. Muhammad Kashif Habib
Member

Human Resource and Remuneration Committee

Mr. Nasim Beg
Chairman

Mr. Abdus Samad
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Rehman Naseem
Member

Company Secretary

Mr. Ausaf Ali Qureshi

Chief Financial Officer

Mr. Arif Hamid Dar

Key Management

Mr. M. Abad Khan
Advisor to CEO

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Muhammad Zahir
Director Marketing

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Farrukh Iqbal Qureshi
General Manager Manufacturing

Mr. Asad Murad
Head of Internal Audit

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Javed Akbar
Head of Procurement

Brig (R) Muhammad Ali Asif Sirhindi
General Manager Administrative Services

Mr. Muhammad Saleem Zafar
General Manager Projects

Legal Advisors

M/s. Chima & Ibrahim
Advocates

1-A/245, Tufail Road,
Lahore Cantt.

Auditors

A. F. Ferguson & Co.,
Chartered Accountants

23-C, Aziz Avenue,
Canal Bank, Gulberg V,
Lahore-54660.
Tel: 042 35715864-71
Fax: 042 35715872

Bankers

Allied Bank Limited
Al–Baraka Islamic Bank Limited
Askari Bank Limited
BankIslami Pakistan Limited
Bank Alfalah Limited
Burj Bank Limited
Dubai Islamic Bank Limited
Deutsche Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pakoman Investment Company Limited
Pakistan Kuwait Investment Company (Private) Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Soneri Bank Limited
United Bank Limited
Zarai Taraqiati 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
Website: www.fatima-group.com

Karachi Office

21-Oil Installation Area,
Keamari, Karachi.
Tel: 021 32855444-5
Fax: 021 32855446

Plant Site

Khanewal Road, Multan.
Tel: 061 9220022
Fax: 061 9220021

Directors' Report to the Members

Dear Shareholders,

On behalf of Board of Directors of Pakarab Fertilizers Limited, I hereby present the un-audited financial statements of the Company for the nine months ended September 30, 2012.

The period under review has been another difficult period for the Company as in three months for the third quarter ended September 30, 2012 there was no production due to gas stoppage, resulting in an operating loss of Rs. 1,357 million after financial cost as compared to the profit of Rs. 2,960 million for the corresponding period of last year. This was due to unfair gas curtailment to Pakarab for 217 days during the period under review of 274 days. This has been so despite the fact that fertilizer has priority over other industry. Additionally, a gas cess at 170% was also levied on supply of feed gas to the Fertilizer industry. This resulted not only in denting profitability of fertilizer companies but also affecting the economics of Pakistani farmers, as the fertilizer companies tried to pass on this substantial cess to the farmers. The excessive imports of Urea also affected the margins of fertilizer industry.

Despite of above facts the fertilizer industry managed to supply Urea fertilizer to farmers at a price much lower than the international price and passed on subsidy of around Rs. 687 per bag in addition to the subsidy of Rs. 228 per bag through feed gas.

Your Company is engaged with the Ministry of Petroleum for a fair treatment to the fertilizer industry in respect of gas curtailment needs of the Government and it is hoped that the industry will be able to get just treatment in the interest of the farmers and economic imperatives, i.e., saving foreign exchange on import of fertilizer and in turn heavy subsidies on such imports and above all for the sake of investment environment in Pakistan, which has adversely been affected due to negative sentiment of financiers viz a viz Fertilizer and Power Industries.

By streamlining the internal processes and strictly monitoring outlays we are expecting liquidity of the Company would remain intact. On positive note, financial cost has reduced by PKR 503 million as compared to corresponding period last year due to effective management of funds and interest rate spread reduction after negotiation with the lenders. Your management is quite confident that the situation would improve during the upcoming period as the gas supply has been restored to the plant in October 2012. Besides the efforts of Government, your Company is also considering various alternatives which once implemented would help supply uninterrupted gas to the plant.

On behalf of the Board

Lahore
October 22, 2012

ARIF HABIB
CHAIRMAN

Condensed Interim Balance Sheet

As at September 30, 2012 (Un-audited)

	Note	Un-audited September 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 (December 31, 2011: 1,000,000,000) ordinary shares of Rs 10 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital 450,000,000 (December 31, 2011: 450,000,000) ordinary shares of Rs 10 each		4,500,000	4,500,000
Share deposit money		-	200,000
Reserves		4,075,360	5,714,040
		8,575,360	10,414,040
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS		11,599,269	11,942,294
NON-CURRENT LIABILITIES			
Long term finances - secured	7	6,191,668	8,484,223
Supplier's credit - secured		2,260,800	1,796,000
Liabilities against assets subject to finance lease		82,881	138,018
Long term deposits		45,850	47,345
Deferred liabilities		129,414	90,684
Deferred taxation		11,547,075	10,967,290
		20,257,688	21,523,560
CURRENT LIABILITIES			
Current portion of long term liabilities		5,661,222	6,335,181
Short term borrowings - secured		6,019,544	4,643,806
Derivative financial instruments		1,034	-
Payable to Privatization Commission of Pakistan		2,197,901	2,197,901
Trade and other payables		2,232,293	3,120,353
Accrued finance cost		578,310	677,086
Dividend payable		1,078,200	3,755,250
Provision for taxation		-	731,455
		7,768,504	21,461,032
CONTINGENCIES AND COMMITMENTS	8		
		58,200,821	65,340,926

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

	Note	Un-audited September 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	37,278,789	37,937,267
Assets subject to finance lease		156,385	229,382
Intangible assets		145,250	161,000
Goodwill		3,305,163	3,305,163
Investments		650,051	130,482
Long term loans - unsecured		-	4,515,565
Security deposits		74,129	57,036
		41,609,767	46,335,895
CURRENT ASSETS			
Stores and spare parts		2,835,331	2,583,273
Stock-in-trade		2,086,679	2,057,363
Trade debts		928,940	890,573
Loans and Receivables from Associated company		6,286,685	2,105,400
Advances, deposits, prepayments and other receivables		3,216,536	3,194,513
Derivative financial instruments		-	18,756
Investments	10	1,083,280	7,358,830
Cash and bank balances		153,602	796,323
		16,591,054	19,005,031
		58,200,821	65,340,926

Director

Condensed Interim Profit and Loss Account

For the quarter and period ended September 30, 2012 (Un-audited)

	Quarter ended		Period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	(Rupees in thousand)			
Sales	391,235	5,481,348	6,360,044	12,780,715
Cost of sales	(908,209)	(1,802,376)	(4,732,615)	(5,541,268)
Gross profit / (Loss)	(516,974)	3,678,972	1,627,430	7,239,447
Administrative expenses	29,152	(252,711)	(713,464)	(702,455)
Selling and distribution expenses	(44,014)	(240,987)	(218,580)	(635,932)
	(531,836)	3,185,274	695,386	5,901,060
Finance cost	(612,477)	(779,668)	(1,984,766)	(2,536,039)
Other operating expenses	21,958	(248,912)	(67,943)	(405,040)
	(1,122,355)	2,156,694	(1,357,324)	2,959,981
Other operating income	382,133	370,129	1,432,506	1,265,088
Share of loss of associate	-	-	-	(17,612)
(Loss) / gain on re-measurement of financial assets at fair value through profit or loss	(30,870)	10,210	(48,000)	740,590
Profit / (Loss) before taxation	(771,092)	2,537,033	27,182	4,948,047
Taxation	(327,740)	(818,614)	12,354	(1,525,978)
Profit / (Loss) for the period	(1,098,832)	1,718,419	39,536	3,422,069
Earnings per share in Rupees - basic and diluted	(2.44)	3.82	0.09	7.60

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive   Director

Condensed Interim Statement of Comprehensive Income

For the quarter and Period ended September 30, 2012 (Un-audited)

	Quarter ended		Period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	(Rupees in thousand)			
Profit / (loss) for the period	(1,098,832)	1,718,419	39,536	3,422,069
Other comprehensive income:				
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	176,036	28,483	527,681	28,483
Total comprehensive income/(loss) for the period	(922,796)	1,746,902	567,217	3,450,552

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director

Condensed Interim Statement of Changes in Equity

For the Period ended September 30, 2012 (Un-audited)

(Rupees In Thousand)

	Share capital	Share deposit money	Revenue reserves: General reserves	Revenue reserves: Un-appropriated profit	Total
Balance as on January 1, 2012 (audited)	4,500,000	200,000	2,098,313	3,615,730	10,414,043
Profit for the period	-	-	-	39,536	39,536
Other comprehensive income for the period:					
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	-	-	-	527,681	527,681
Total comprehensive income for the period ended September 30, 2012	-	-	-	567,217	567,217
Share deposit money refunded	-	(200,000)	-	-	(200,000)
Specie dividend to equity holders of the company	-	-	-	(2,205,900)	(2,205,900)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(200,000)	-	(2,205,900)	(2,405,900)
Balance as on September 30, 2012 (un-audited)	4,500,000	-	2,098,313	1,977,047	8,575,360
Balance as on January 01, 2011 (audited)	4,500,000	200,000	4,995,352	2,553,104	12,248,456
Profit for the period	-	-	-	3,422,069	3,422,069
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	-	-	-	28,483	28,483
Total comprehensive income for the period ended September 30, 2011	-	-	-	3,450,552	3,450,552
Specie dividend to equity holders of the company	-	-	(2,897,039)	(3,755,250)	(6,652,289)
Total contributions by and distributions to owners of the company recognised directly in equity	-	-	(2,897,039)	(3,755,250)	(6,652,289)
Balance as on September 30, 2011 (un-audited)	4,500,000	200,000	2,098,313	2,248,406	9,046,719

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director

Condensed Interim Cash Flow Statement

For the Period ended September 30, 2012 (Un-audited)

	Note	January 1 to September 30 2012	January 1 to September 30 2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	2,458,679	6,543,451
Finance cost paid		(2,083,540)	(2,551,188)
Taxes paid		(243,182)	(531,311)
Retirement benefits paid		(27,137)	(33,872)
Long term deposits (paid)/received		(1,495)	2,913
Net cash inflow from operating activities		103,325	3,429,993
Cash flows from investing activities			
Purchase of property, plant and equipment		(245,436)	(326,623)
Profit on derivative financial instruments received		22,251	120,933
Security deposits		(17,093)	(14,062)
Sale proceeds of property, plant and equipment disposed		39,446	11,015
Investments made		(517,075)	(55,627)
Investments redeemed		1,800,000	-
Profit on bank deposits received		18,322	12,820
Net cash inflow / (outflow) from investing activities		1,100,415	(251,544)
Cash flows from financing activities			
Repayment of long term finances		(4,955,698)	(2,505,698)
Proceeds from long term finances acquired		2,000,000	1,037,836
Payment of liability against mining rights		-	(52,500)
Repayment of share deposit money		(200,000)	-
Repayment of finance lease liability		(66,500)	(144,776)
Net cash outflow from financing activities		(3,222,198)	(1,665,138)
Net (decrease)/increase in cash and cash equivalents		(2,018,458)	1,513,311
Cash and cash equivalents at the beginning of the period		(3,847,483)	(4,516,853)
Cash and cash equivalents at the end of the period	12	(5,865,941)	(3,003,542)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

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's Term Finance Certificates are listed on the Karachi Stock Exchange (Guarantee) Limited. It is principally engaged in the manufacturing and sale of chemical fertilizers and generation and sale of Certified Emission Reductions. The address of the registered office of the company is E-110, Khayaban-e-Jinnah, Lahore Cantt and its manufacturing facility is located in Multan.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended December 31, 2011.

4. ACCOUNTING ESTIMATES

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended December 31, 2011.

5. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

6. Financial risk management

6.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

6.2 Liquidity risk

Compared to year end, for one current liability of USD 4 million with maturity in July 2012, the company has arranged its settlement in September 2014.

6.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at September 30, 2012.

	Level 1	Level 2	Level 3	Total
			Rupees in thousand	
At fair value through profit or loss				
Equity securities	5,080	-	-	5,080
Available for sale				
Equity securities	-	-	23,500	23,500
Total assets	5,080	-	23,500	28,580
At fair value through profit or loss				
Derivative financial instruments	-	1,034	-	1,034
Total liabilities	-	1,034	-	1,034

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2011.

	Level 1	Level 2	Level 3	Total
			Rupees in thousand	
At fair value through profit or loss				
Equity securities	3,580	-	-	3,580
Derivative financial instruments	-	18,756	-	18,756
Available for sale				
Debt investment	-	3,600,000	-	3,600,000
Equity securities	-	-	23,500	23,500
Total assets	3,580	3,618,756	23,500	3,645,836
Total liabilities	-	-	-	-

In 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the company's financial assets and financial liabilities.

In 2012, there were no reclassifications of financial assets.

	Un-audited September 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
7. LONG TERM FINANCES - SECURED		
Opening balance	14,728,309	17,192,893
Disbursements during the period/year	2,000,000	1,437,836
	16,728,309	18,630,729
Repayments during the period/year	(4,955,698)	(3,902,420)
Closing balance	11,772,611	14,728,309
Less: Current portion shown under current liabilities	(5,580,943)	(6,244,086)
	6,191,668	8,484,223

8. CONTINGENCIES AND COMMITMENTS

8.1 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 10 million (December 31, 2011: Rs 8.846 million).
- Fatima Fertilizer Company Limited ('FATIMA'), a related party and Habib Bank Limited (the Security Trustee) in respect of the company's obligations for equity contributions in FATIMA under the terms of the Sponsor Support Agreement dated March 6, 2009 between the company, FATIMA and its sponsors and lenders.
- Pakistan State Oil Company Limited against fuel for aircraft amounting to Rs 7 million (December 31, 2011: Nil).
- Meezan Bank Limited as security against finance obtained by its subsidiary, Reliance Sacks Limited.

(iii) Indemnity bonds aggregating Rs 320.420 million (December 31, 2011: Rs. 354.880 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) Post dated cheques furnished by the company in favour of the Collector of Customs to cover import levies against imports aggregating to Rs NIL (December 31, 2011: Rs 150 million).

(v) 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.

(vi) An 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 ('the 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.

(vii) Included in advances, deposits, prepayments and other receivables is sales tax recoverable of Rs 134.022 million which primarily represents the input sales tax paid by the company in respect of raw materials acquired before June 11, 2008 on which date fertilizer products manufactured by the company were exempted from levy of sales tax through notification SRO 535(I)/2008. The amount stood refundable to the company there being no output sales tax liability remaining payable on fertilizer products manufactured by the company against which such input sales tax was adjustable. 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 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 was unimpaired at the balance sheet date.

(viii) 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 statements 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 Appellate Tribunal Inland Revenue ('ATIR') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-03 upheld the company's position as taken in 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. ATIR'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

ATIR. 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 up to 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 these financial statements, 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.

(ix) The amendment earlier carried out in respect of tax year 2006 through amendment order passed under section 122 the Income Tax Ordinance, 2001 ('Ordinance'), raised a demand of Rs 451.418 million along with penalty of Rs 169.196 million, was annulled by Commissioner Inland Revenue (Appeals) ['CIR(A)'] through order dated June 25, 2011. While such demand no longer holds the field legally, following a prudent approach, amount of Rs 174.958 million, earlier recognized as tax expense against such demand, has not been written back. Such amount would be written back upon confirmation of relief by higher appellate authorities.

(x) The Additional Commissioner Inland Revenue ('AdCIR'), through separate orders passed under section 122(5A) of the Ordinance for tax years 2007 to 2009, raised income tax demands aggregating to Rs 1,562.454 million. The primary issue raised by AdCIR through such orders is that tax deductible expenditure claimed by the company against taxable income were also allocable to 'subsidy' received from the Federal Government and revenue derived from sale of 'emission reduction certificates. The company agitated the orders in usual appellate course and through a recent decision, ATIR has endorsed the company's point of view thus these demands no longer hold the field. Since, company's managment is confident that relief granted by ATIR would sustain the review by higher appellate forums, no provision on this account has been made in this condensed interim financial information.

(xi) Assistant Commissioner Inland Revenue ('ACIR'), through an order dated February 21, 2009, raised a demand of Rs 256.142 million including additional tax of Rs 31.142 million on the grounds that the company had not deducted withholding tax on distribution of Rs 2,250 million as 'specie dividends'. While the matter has been decided in company's favour and assessment order has been vacated by ATIR, departmental officials have assailed the finding of ATIR through a reference filed before Lahore High Court, which is pending adjudication. Since, company's management is confident that findings given by ATIR will not be interfered into by appellate courts, no provision in respect of such demand has been made in this condensed interim financial information.

(xii) ACIR, through an order dated March 25, 2009 passed under sections 221 and 205 of the Ordinance, held that adjustments made by the company out of determined refunds for previous assessment years against the tax liabilities of tax years 2006 and 2007 were not legal and legitimate. Default surcharge of Rs 89.462 million was also held to be payable by the company for claiming illegitimate adjustments. Such position taken by department has been held to be illegal by ATIR and it has been directed to allow the adjustments claimed by the company. The matter has, however, been further pursued by department by way of filing a reference application before Lahore High Court, which is pending adjudication. Since the company's management considers that under the relevant statutory provisions, adjustments cannot be denied to the company and relief accorded by ATIR will be endorsed by appellate courts, no provision in this respect has been made in this condensed interim financial information.

(xiii) The ACIR, through Order-In-Original dated May 21, 2011 raised sales tax and federal excise duty demands aggregating Rs 1,146 million along with applicable default surcharge and penalties. Such demands were principally raised on the grounds that self consumption of mid-products constituted a 'taxable supply' and hence attracted the levies of sales tax and special excise duty. Through a recent decision, matter has been decided in company's favour by ATIR and thus demand stands vacated. Since, company's managment is confident that relief granted by ATIR would sustain the review by higher appellate forums, no provision on this account has been made in this condensed interim financial information.

(xiv) Included in trade debts is an amount of Rs 18.877 million (December 31, 2011: Rs 28.511 million) which has not been acknowledged as debts by its customers due to a dispute regarding the discount on the product's price. The company's customers had collectively filed an appeal regarding the price dispute before the Civil Court, Multan, which decided the case in favour of the company's customers. The company preferred an appeal before the District and Sessions Court, Multan which set aside the order of the Civil Court. The company's customers filed a revised petition before the Lahore High Court against the order of the District and Sessions Court, which is pending for adjudication. Based on the advice of the company's legal counsel, the company's management considers that there are meritorious grounds to defend the company's stance and hence, no provision has been made in this condensed interim financial information on this account.

(xv) Claims against the company not acknowledged as debts Rs 23.051 million (December 31, 2011: Rs 23.051 million)

8.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 146.740 million (December 31, 2011: Rs 312.650 million).

(ii) Letters of credit other than for capital expenditure Rs 192.740 million (December 31, 2011: Rs 233.937 million).

(iii) Purchase orders aggregating Rs 7.600 million (December 31, 2011: Rs 4.818 million) were placed and letters of credit were established subsequently.

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Un-audited September 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Not later than one year	101,111	52,564
Later than one year and not later than five years	125,011	106,950
	226,122	159,514

	Note	Un-audited September 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
9. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	36,974,294	37,643,602
Capital work-in-progress		304,495	293,665
		37,278,789	37,937,267
9.1 Operating fixed assets			
Opening book value		37,643,602	21,712,407
Additions during the period/year	9.1.1	188,420	2,650,708
Revaluation during the period/year		-	14,048,486
Book value of transfers in from assets subject to finance lease		20,172	22,966
Book value of fixed assets disposed off during the period/year		(29,123)	(16,747)
Depreciation charged during the period/year		(848,777)	(774,218)
Closing book value		36,974,294	37,643,602
9.1.1 Additions during the period/year			
Buildings on freehold land		-	23,676
Plant and machinery		23,117	193,764
Aircrafts		4,304	2,273,109
Furniture and fixtures		1,017	12,016
Tools and equipment		42,774	68,811
Vehicles		1,998	22,777
Catalyst		115,210	56,555
		188,420	2,650,708
10. INVESTMENTS			
Available for sale:			
Related party - quoted			
Fatima Fertilizer Company Limited			
Nil (December 31, 2011: 360,000,000) unquoted fully paid non-voting convertible cumulative preference shares of Rs 10 each		-	3,600,000
Extent of preference shares held Nil (December 31, 2011: 90%)			
At fair value through profit or loss:			
Wateen Telecom Limited			
2,000,000 (December 31, 2011: 2,000,000) fully paid ordinary shares of Rs 10 each		5,080	3,580
		5,080	3,603,580
Investment held for distribution to members		1,078,200	3,755,250
		1,083,280	7,358,830

	Un-audited January 1 to September 30 2012	2011
	(Rupees in thousand)	
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	27,182	4,948,047
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets	850,386	491,860
Depreciation on assets subject to finance lease	51,072	66,164
Amortization on intangible assets	15,750	16,761
Retirement benefits accrued	66,834	44,377
Profit on disposal of operating fixed assets	(10,322)	(4,091)
Profit on disposal of investment	(455,400)	-
Finance cost	1,984,766	2,536,039
Income on bank deposits	(18,321)	(11,026)
Unrealised income on investment held to maturity	(2,494)	(3,366)
Unrealised loss/(gain) on re-measurement of investments	48,000	(740,589)
Unrealised gain on loss of significant influence over associate	-	(113,461)
Provisions and unclaimed balances written back	-	(624)
Dividend income on preference shares of related party	(194,067)	(447,511)
Share of loss of associate	-	17,612
Interest income on loans to related party	(610,756)	(548,725)
Exchange loss	66,743	17,610
Gain on derivative financial instruments	(2,461)	(106,012)
Profit before working capital changes	1,816,912	6,163,065
Effect on cash flow due to working capital changes		
(Increase) / decrease in stores and spare parts	(205,240)	166,807
(Increase) / Decrease in stock-in-trade	(29,317)	680,050
(Increase) / decrease in trade debts	(17,111)	826,465
Decrease / (increase) in advances, deposits prepayments and other receivables	1,405,660	(49,546)
(Decrease) / increase in trade and other payables	(512,225)	(1,243,390)
	641,767	380,386
	2,458,679	6,543,451

Notes to and forming part of Condensed Interim Financial Information
For the quarter and period ended September 30, 2012 (Un-audited)

	Un-audited September 30, 2012	Un-audited September 30, 2011
	(Rupees in thousand)	
12. CASH AND CASH EQUIVALENTS		
Short term borrowings	(6,019,543)	(3,321,932)
Cash and bank balances	153,602	318,390
	(5,865,941)	(3,003,542)

13. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the company	Nature of transaction	Un-audited January 1 to September 30, 2012 (Rupees in thousand)	2011
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	50,611	47,944
ii. Key management personnel	Salaries and other employee benefits	86,248	59,058
iii. Associated companies	Markup expense on share deposit money	14,583	24,556
	Markup income on loans to associate	-	166,735
	Markup income on loans to associated company	610,756	381,990
	Dividend income on preferences shares of associate	-	147,531
	Dividend income on preferences shares of associated company	194,067	299,980
	Processing services rendered to associate	-	27,766
	Processing services rendered to associated company	9,542	57,556
	Fertilizer purchased from associate	-	380,403
	Fertilizer purchased from associated company	13,136	185,541
	Expenses shared with associate	-	41,320
	Share of common expenses charged to associated company	440,312	121,377
	Share of common expenses charged by associated company	30,333	-
	Service charges of associated company	-	28,316
	Purchases from subsidiary company	48,731	-
iv. Other related parties	Donations	728	12,175

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

	Un-audited September 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Period end balances		
Loans and mark up receivable from associated company	4,948,647	5,476,994
Preference dividend receivable from associated company	1,338,038	1,143,971
Payable to related parties	31,500	-

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

14. Date of authorization for issue

This condensed interim financial information was authorized for issue on October 22, 2012 by the Board of Directors of the company.

15. 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

Condensed Consolidated Interim Financial Statements

For the quarter and period ended September 30, 2012 (Un-audited)

Condensed Consolidated Interim Balance Sheet
As at September 30, 2012 (Un-audited)

	Note	Un-audited September 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
share capital and reserves			
Authorised share capital			
1,000,000,000 (December 31, 2011: 1,000,000,000) ordinary shares of Rs 10 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital			
450,000,000 (December 31, 2011: 450,000,000) ordinary shares of Rs 10 each		4,500,000	4,500,000
Share deposit money		-	200,000
Reserves		4,069,817	5,711,183
		8,569,817	10,411,183
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS		11,599,269	11,942,294
NON-CURRENT LIABILITIES			
Long term finances - secured	7	6,440,918	8,672,192
Supplier's credit - secured		2,260,800	1,796,000
Liabilities against assets subject to finance lease		82,881	138,018
Long term deposits		45,850	47,345
Deferred liabilities		129,414	90,684
Deferred taxation		11,547,075	10,967,290
		20,506,938	21,711,529
CURRENT LIABILITIES			
Current portion of long term liabilities		5,661,222	6,335,181
Short term borrowings - secured		6,200,651	4,643,806
Derivative financial instruments		1,034	-
Payable to Privatization Commission of Pakistan		2,197,901	2,197,901
Trade and other payables		2,285,449	3,145,761
Accrued finance cost		583,186	677,821
Dividend payable		1,078,200	3,755,250
Provision for taxation		-	731,118
		18,007,643	21,486,838
CONTINGENCIES AND COMMITMENTS	8		
		58,683,667	65,551,844

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

	Note	Un-audited September 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	37,743,920	38,248,373
Assets subject to finance lease		156,385	229,382
Intangible assets		145,250	161,000
Goodwill		3,305,163	3,305,163
Investments		481,418	27,349
Long term loans - unsecured		-	4,515,565
Security deposits		74,129	57,036
		41,906,265	46,543,868
CURRENT ASSETS			
Stores and spare parts		2,789,740	2,583,273
Stock-in-trade		2,234,296	2,057,363
Trade debts		928,940	890,573
Loans and Receivables from Associated company		6,286,685	2,105,400
Advances, deposits, prepayments and other receivables		3,294,479	3,197,445
Derivative financial instruments		-	18,756
Investments	10	1,083,280	7,358,830
Cash and bank balances		159,982	796,336
		16,777,402	19,007,976
		58,683,667	65,551,844

Condensed Consolidated Interim Profit and Loss Account

For the Quarter and period ended September 30, 2012 (Un-audited)

	Note	Quarter ended		Period ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
		(Rupees in thousand)			
Sales	11.1	391,235	5,481,348	6,360,044	12,780,715
Cost of sales	11.2	(908,209)	(1,802,376)	(4,732,615)	(5,541,268)
Gross profit / (Loss)		(516,974)	3,678,972	1,627,430	7,239,447
Administrative expenses		28,594	(252,711)	(716,149)	(702,455)
Selling and distribution expenses		(44,014)	(240,987)	(218,580)	(635,932)
		(532,394)	3,185,274	692,701	5,901,060
Finance cost		(612,399)	(779,668)	(1,984,766)	(2,536,039)
Other operating expenses		21,958	(248,912)	(67,943)	(405,040)
		(1,122,835)	2,156,694	(1,360,009)	2,959,981
Other operating income		382,133	370,129	1,432,506	1,265,088
Share of loss of associate		-	-	-	(17,612)
(Loss) / gain on re-measurement of financial assets at fair value through profit or loss		(30,870)	10,210	(48,000)	740,590
Profit / (Loss) before taxation		(771,572)	2,537,033	24,497	4,948,047
Taxation		(327,740)	(818,614)	12,354	(1,525,978)
Profit / (Loss) for the period		(1,099,312)	1,718,419	36,851	3,422,069
Earnings per share in Rupees - basic and diluted		(2.44)	3.82	0.08	7.60

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive | Director

Condensed Consolidated Interim Statement of Comprehensive Income

For the Quarter and period ended September 30, 2012 (Un-audited)

	Quarter ended		Period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
		(Rupees in thousand)		
Profit / (loss) for the period	(1,099,312)	1,718,419	36,851	3,422,069
Other comprehensive income:				
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	176,036	28,483	527,681	28,483
Total comprehensive income / (loss) for the period	(923,276)	1,746,902	564,532	3,450,552

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

Director

Condensed Consolidated Interim Statement of Changes in Equity

For the Period ended September 30, 2012 (Un-audited)

(Rupees In Thousand)

	Share capital	Share deposit money	Revenue reserves: General reserves	Revenue reserves: Un-appropriated profit	Total
Balance as on January 1, 2012 (audited)	4,500,000	200,000	2,098,313	3,612,872	10,411,185
Profit for the period	-	-	-	36,851	36,851
Other comprehensive income for the period:					
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	-	-	-	527,681	527,681
Total comprehensive income for the period ended September 30, 2012	-	-	-	564,532	564,532
Share deposit money refunded	-	(200,000)	-	-	(200,000)
Specie dividend to equity holders of the company	-	-	-	(2,205,900)	(2,205,900)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(200,000)	-	(2,205,900)	(2,405,900)
Balance as on September 30, 2012 (un-audited)	4,500,000	-	2,098,313	1,971,504	8,569,817
Balance as on January 01, 2011 (audited)	4,500,000	200,000	4,995,352	2,553,106	12,248,458
Profit for the period	-	-	-	3,422,069	3,422,069
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	-	-	-	28,483	28,483
Total comprehensive income for the period ended September 30, 2011	-	-	-	3,450,552	3,450,552
Specie dividend to equity holders of the company	-	-	(2,897,039)	(3,755,250)	(6,652,289)
Total contributions by and distributions to owners of the company recognised directly in equity	-	-	(2,897,039)	(3,755,250)	(6,652,289)
Balance as on September 30, 2011 (un-audited)	4,500,000	200,000	2,098,313	2,248,408	9,046,721

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive　　　　Director

Condensed Consolidated Interim Cash Flow Statement

For the Period ended September 30, 2012 (Un-audited)

	Note	January 1 to September 30 2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	2,283,961	6,543,449
Finance cost paid		(2,102,913)	(2,551,188)
Taxes paid		(243,182)	(531,311)
Retirement benefits paid		(27,137)	(33,872)
Long term deposits (paid)/received		(1,495)	2,913
Net cash inflow from operating activities		(90,766)	3,429,991
Cash flows from investing activities			
Purchase of property, plant and equipment		(352,868)	(369,346)
Profit on derivative financial instruments received		22,251	120,933
Security deposits		(17,093)	(14,062)
Sale proceeds of property, plant and equipment disposed		39,446	11,015
Investments made		(451,575)	-
Investments redeemed		1,800,000	-
Profit on bank deposits received		18,322	12,820
Net cash inflow / (outflow) from investing activities		1,058,483	(238,640)
Cash flows from financing activities			
Repayment of long term finances		(4,955,697)	(2,505,698)
Proceeds from long term finances acquired		2,061,282	1,037,836
Payment of liability against mining rights		-	(52,500)
Repayment of share deposit money		(200,000)	-
Repayment of finance lease liability		(66,500)	(144,776)
Net cash outflow from financing activities		(3,160,915)	(1,665,138)
Net (decrease)/increase in cash and cash equivalents		(2,193,198)	1,526,213
Cash and cash equivalents at the beginning of the period		(3,847,471)	(4,516,853)
Cash and cash equivalents at the end of the period	13	(6,040,669)	(2,990,640)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chief Executive

Director

1. THE GROUP AND ITS ACTIVITIES

Pakarab Fertilizers Limited ('the parent company') was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Ordinance, 1984). The parent company's status changed to a non-listed public company from June 7, 2007. The parent company's Term Finance Certificates are listed on the Karachi Stock Exchange (Guarantee) Limited. On April 12, 2011, the parent company incorporated a wholly owned subsidiary company, Reliance Sacks Limited (together, 'the Group"). The parent company is principally engaged in the manufacturing and sale of chemical fertilizers and generation and sale of Certified Emission Reductions while the subsidiary company is in the process of setting up the project at Mukhtar Garh, Sadiqabad to manufacture polypropylene on land that is leased out to the Group by Fatima Fertilizer Company Limited, a related party. The address of the registered offices of the both companies is E-110, Khayaban-e-Jinnah, Lahore Cantt and the manufacturing facilities of the parent and subsidiary companies are located in Multan and Sadiqabad respectively.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended December 31, 2011.

4. ACCOUNTING ESTIMATES

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended December 31, 2011.

5. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

6. Financial risk management

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

6.2 Liquidity risk

Compared to year end, for one current liability of USD 4 million with maturity in July 2012, the parent company has arranged its settlement in September 2014.

6.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at September 30, 2012.

	Level 1	Level 2	Level 3	Total
			Rupees in thousand	
At fair value through profit or loss				
Equity securities	5,080	-	-	5,080
Total assets	5,080	-	-	5,080
At fair value through profit or loss				
Derivative financial instruments	-	1,034	-	1,034
Total liabilities	-	1,034	-	1,034

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2011.

	Level 1	Level 2	Level 3	Total
			Rupees in thousand	
At fair value through profit or loss				
Equity securities	3,580	-	-	3,580
Derivative financial instruments	-	18,756	-	18,756
Available for sale				
Debt investment	-	3,600,000	-	3,600,000
Total assets	3,580	3,618,756	-	3,622,336
Total liabilities	-	-	-	-

In 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and finanical liabilities.

In 2012, there were no reclassifications of financial assets.

	Un-audited September 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
7. LONG TERM FINANCES - SECURED		
Opening balance	14,916,277	17,192,893
Disbursements during the period/year	2,061,282	1,625,804
	16,977,559	18,818,697
Repayments during the period/year	(4,955,697)	(3,902,420)
Closing balance	12,021,862	14,916,277
Less: Current portion shown under current liabilities	(5,580,944)	(6,244,086)
	6,440,918	8,672,191

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

(i) The Group 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 Group's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the Group 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 Group has issued following guarantees in favour of:

- Sui Northern Gas Pipelines Limited against gas sale amounting to Rs 10 million (December 31, 2011: Rs 8.846 million).
- Fatima Fertilizer Company Limited ('FATIMA'), a related party and Habib Bank Limited (the Security Trustee) in respect of the Group's obligations for equity contributions in FATIMA under the terms of the Sponsor Support Agreement dated March 6, 2009 between the company, FATIMA and its sponsors and lenders.
- Pakistan State Oil Company Limited against fuel for aircraft amounting to Rs 7 million (December 31, 2011: Nil).
- Meezan Bank Limited as security against finance obtained by its subsidiary, Reliance Sacks Limited.

(iii) Indemnity bonds aggregating Rs 320.420 million (December 31, 2011: Rs. 354.880 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) Post dated cheques furnished by the parent company in favour of the Collector of Customs to cover import levies against imports aggregating to Rs NIL (December 31, 2011: Rs 150 million).

(v) As at June 30, 2004, the parent 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 parent 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.

(vi) An amount of Rs 129.169 million was withdrawn by the previous members of the parent company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement ('the 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 parent 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 parent 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 parent company. In case of a positive outcome to the parent company's claim, the excess dividend withdrawn by the previous members of the parent company would be recovered.

(vii) Included in advances, deposits, prepayments and other receivables is sales tax recoverable of Rs 134.022 million which primarily represents the input sales tax paid by the company in respect of raw materials acquired before June 11, 2008 on which date fertilizer products manufactured by the parent company were exempted from levy of sales tax through notification SRO 535(I)/2008. The amount stood refundable to the parent company there being no output sales tax liability remaining payable on fertilizer products manufactured by the parent company against which such input sales tax was adjustable. The parent 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.

Parent company's management being aggrieved with the interpretation advanced by FBR on the issue has preferred a writ petition before the Lahore High Court, which has not yet been disposed off. Since parent 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 was unimpaired at the balance sheet date.

(viii) For assessment years 1993-94 and 1995-96 through 2002-2003 and for tax years 2003 through 2005, the parent company, in view of the position taken by the tax authorities that the income of the parent company is chargeable to tax on the basis of 'net income', had provided for in the financial statements 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 parent company's income from sale of own manufactured fertilizer products.

The Appellate Tribunal Inland Revenue ('ATIR') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-03 upheld the parent company's position as taken in 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. ATIR'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 ATIR. 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 up to the level of High Court, management of the parent company feels that the decision of the apex court would also be in the favour of the parent company and hence in these financial statements, tax liabilities in respect of above referred assessment / tax years have been provided on the basis that parent 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.

(ix) The amendment earlier carried out in respect of tax year 2006 through amendment order passed under section 122 the Income Tax Ordinance, 2001 ('Ordinance'), raised a demand of Rs 451.418 million along with penalty of Rs 169.196 million, was annulled by Commissioner Inland Revenue (Appeals) ['CIR(A)'] through order dated June 25, 2011. While such demand no longer holds the field legally, following a prudent approach, amount of Rs 174.958 million, earlier recognized as tax expense against such demand, has not been written back. Such amount would be written back upon confirmation of relief by higher appellate authorities.

(x) The Additional Commissioner Inland Revenue ('AdCIR'), through separate orders passed under section 122(5A) of the Ordinance for tax years 2007 to 2009, raised income tax demands aggregating to Rs 1,562.454 million. The primary issue raised by AdCIR through such orders is that tax deductible expenditure claimed by the parent company against taxable income were also allocable to 'subsidy' received from the Federal Government and revenue derived from sale of 'emission reduction certificates. The parent company agitated the orders in usual appellate course and through a recent decision, ATIR has endorsed the parent company's point of view thus these demands no longer hold the field. Since, parent company's managment is confident that relief granted by ATIR would sustain the review by higher appellate forums, no provision on this account has been made in this condensed interim financial information.

(xi) Assistant Commissioner Inland Revenue ('ACIR'), through an order dated February 21, 2009, raised a demand of Rs 256.142 million including additional tax of Rs 31.142 million on the grounds that the parent company had not deducted withholding tax on distribution of Rs 2,250 million as 'specie dividends'. While the matter has been decided in parent company's favour and assessment order has been vacated by ATIR, departmental officials have assailed the finding of ATIR through a reference filed before Lahore High Court, which is pending adjudication. Since, company's management is confident that findings given by ATIR will not be interfered into by appellate courts, no provision in respect of such demand has been made in this condensed interim financial information.

(xii) ACIR, through an order dated March 25, 2009 passed under sections 221 and 205 of the Ordinance, held that adjustments made by the parent company out of determined refunds for previous assessment years against the tax liabilities of tax years 2006 and 2007 were not legal and legitimate. Default surcharge of Rs 89.462 million was also held to be payable by the parent company for claiming illegitimate adjustments. Such position taken by department has been held to be illegal by ATIR and it has been directed to allow the adjustments claimed by the parent company. The matter has, however, been further pursued by department by way of filing a reference application before Lahore High Court, which is pending adjudication. Since the parent company's management considers that under the relevant statutory provisions, adjustments cannot be denied to the parent company and relief accorded by ATIR will be endorsed by appellate courts, no provision in this respect has been made in this condensed interim financial information.

(xiii) The ACIR, through Order-In-Original dated May 21, 2011 raised sales tax and federal excise duty demands aggregating Rs 1,146 million along with applicable default surcharge and penalties. Such demands were principally raised on the grounds that self consumption of mid-products constituted a 'taxable supply' and hence attracted the levies of sales tax and special excise duty. Through a recent decision, matter has been decided in parent company's favour by ATIR and thus demand stands vacated. Since, parent company's managment is confident that relief granted by ATIR would sustain the review by higher appellate forums, no provision on this account has been made in this condensed interim financial information.

(xiv) Included in trade debts is an amount of Rs 18.877 million (December 31, 2011: Rs 28.511 million) which has not been acknowledged as debts by its customers due to a dispute regarding the discount on the product's price. The parent company's customers had collectively filed an appeal regarding the price dispute before the Civil Court, Multan, which decided the case in favour of the parent company's customers. The parent company preferred an appeal before the District and Sessions Court, Multan which set aside the order of the Civil Court. The parent company's customers filed a revised petition before the Lahore High Court against the order of the District and Sessions Court, which is pending for adjudication. Based on the advice of the parent company's legal counsel, the parent company's management considers that there are meritorious grounds to defend the parent company's stance and hence, no provision has been made in this condensed interim financial information on this account.

(xv) Claims against the parent company not acknowledged as debts Rs 23.051 million (December 31, 2011: Rs 23.051 million)

8.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 146.740 million (December 31, 2011: Rs 312.650 million).

(ii) Letters of credit other than for capital expenditure Rs 192.740 million (December 31, 2011: Rs 233.937 million).

(iii) Purchase orders aggregating Rs 7.600 million (December 31, 2011: Rs 4.818 million) were placed and letters of credit were established subsequently.

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Un-audited September 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Not later than one year	101,714	52,564
Later than one year and not later than five years	128,050	106,950
	229,764	159,514

		Note	Un-audited September 30, 2012	Audited December 31, 2011
			(Rupees in thousand)	
9.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	9.1	36,975,682	37,643,761
	Capital work-in-progress		768,238	604,612
			37,743,920	38,248,373
9.1	**Operating fixed assets**			
	Opening book value		37,643,761	21,712,407
	Additions during the period/year	9.1.1	189,778	2,650,884
	Revaluation during the period/year		-	14,048,486
	Book value of transfers in from assets subject to finance lease		20,172	22,966
	Book value of fixed assets disposed off during the period/year		(29,123)	(16,747)
	Depreciation charged during the period/year		(848,906)	(774,235)
	Closing book value		36,975,682	37,643,761
9.1.1	**Additions during the period/year**			
	Buildings on freehold land		-	23,676
	Plant and machinery		23,117	193,764
	Aircrafts		4,304	2,273,109
	Furniture and fixtures		1,704	12,034
	Tools and equipment		43,445	68,969
	Vehicles		1,998	22,777
	Catalyst		115,210	56,555
			189,778	2,650,884
10.	**INVESTMENTS**			
	Available for sale:			
	Related party - quoted			
	Fatima Fertilizer Company Limited			
	Nil (December 31, 2011: 360,000,000) unquoted fully paid non-voting convertible cumulative preference shares of Rs 10 each		-	3,600,000
	Extent of preference shares held Nil (December 31, 2011: 90%)			
	At fair value through profit or loss:			
	Wateen Telecom Limited			
	2,000,000 (December 31, 2011: 2,000,000) fully paid ordinary shares of Rs 10 each		5,080	3,580
			5,080	3,603,580
	Investment held for distribution to members		1,078,200	3,755,250
			1,083,280	7,358,830

11 SEGMENT RESULTS

		FERTILIZERS				CLEAN DEVELOPMENT MECHANISM				SACKS				TOTAL			
		Quarter ended		Period ended		Quarter ended		Period ended		Quarter ended		Period ended		Quarter ended		Period ended	
		Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
		(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)			
Sales - external	11.1	391,235	5,186,783	6,173,331	11,897,958	0	294,565	186,714	882,757	-	-	-	-	391,235	5,481,348	6,360,044	12,780,715
Cost of sales	11.2	(904,027)	(1,789,601)	(4,708,178)	(5,485,697)	(4,181)	(12,775)	(24,437)	(55,571)	0	0	0	0	(908,209)	(1,802,376)	(4,732,615)	(5,541,268)
Gross profit		(512,792)	3,397,182	1,465,153	6,412,261	(4,181)	281,790	162,277	827,186	0	0	0	0	(516,974)	3,678,972	1,627,430	7,239,447
Administrative expenses		29,152	(248,694)	(710,670)	(695,145)	-	(4,017)	(2,794)	(7,310)	(558)		(2,685)		28,594	(252,711)	(716,149)	(702,455)
Selling and distribution expenses		(44,014)	(175,324)	(188,866)	(446,345)	-	(65,663)	(29,713)	(189,587)	-				(44,014)	(240,987)	(218,580)	(635,932)
		(14,863)	(424,018)	(899,537)	(1,141,490)	-	(69,680)	(32,507)	(196,897)	(558)	-	(2,685)	-	(15,420)	(493,698)	(934,729)	(1,338,387)
Segment results		(527,655)	2,973,164	565,616	5,270,771	(4,181)	212,110	129,770	630,289	(558)	0	(2,685)	0	(532,394)	3,185,274	692,701	5,901,060
Finance cost																(1,984,766)	(2,536,039)
Other operating expenses																(67,943)	(405,040)
																(1,360,009)	2,959,981
Other operating income																1,432,506	1,265,088
Share of loss of associate																-	(17,612)
Gain on re-measurement of financial assets at fair value through profit or loss																(48,000)	740,590
																24,497	4,948,047
Taxation																12,354	(1,525,978)
Profit for the period																36,851	3,422,069

11.1 SALES - EXTERNAL

	FERTILIZERS				CLEAN DEVELOPMENT MECHANISM				SACKS				TOTAL			
	Quarter ended		Period ended		Quarter ended		Period ended		Quarter ended		Period ended		Quarter ended		Period ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)			
Fertilizer products:																
- Own manufactured	366,325	4,886,614	6,010,192	10,773,340	-	-	-	-	-	-	-	-	366,325	4,886,614	6,010,192	10,773,340
- Purchased for resale	-	114,887	13,136	649,611	-	-	-	-	-	-	-	-	-	114,887	13,136	649,611
Certified Emission Reductions	-	-	-	-	-	294,565	186,714	882,757	-	-	-	-	-	294,565	186,714	882,757
Mid products	29,619	178,700	334,660	408,969	-	-	-	-	-	-	-	-	29,619	178,700	334,660	408,969
	395,944	5,180,201	6,357,988	11,831,920	-	294,565	186,714	882,757	-	-	-	-	395,944	5,474,766	6,544,702	12,714,677
Less:																
Sales incentive	37,327	39,972	251,290	79,251	-	-	-	-	-	-	-	-	37,327	39,972	251,290	79,251
Discount	-	1,316	-	2,544	-	-	-	-	-	-	-	-	-	1,316	-	2,544
	37,327	41,288	251,290	81,795	-	-	-	-	-	-	-	-	37,327	41,288	251,290	81,795
Rock phosphate	32,619	16,136	57,091	62,511	-	-	-	-	-	-	-	-	32,619	16,136	57,091	62,511
Processing income	-	31,734	9,542	85,322	-	-	-	-	-	-	-	-	-	31,734	9,542	85,322
	391,235	5,186,783	6,173,331	11,897,958	-	294,565	186,714	882,757	-	-	-	-	391,235	5,481,348	6,360,044	12,780,715

11.2 COST OF SALES

	FERTILIZERS				CLEAN DEVELOPMENT MECHANISM				SACKS				TOTAL			
	Quarter ended		Period ended		Quarter ended		Period ended		Quarter ended		Period ended		Quarter ended		Period ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)			
Raw material consumed	50,250	1,277,837	1,515,147	2,451,107	397	3,371	5,725	5,705	-	-	-	-	50,647	1,281,208	1,520,872	2,456,812
Packing material consumed	3,761	115,329	73,230	226,166	-	-	-	-	-	-	-	-	3,761	115,329	73,230	226,166
	54,011	1,393,166	1,588,377	2,677,273	397	3,371	5,725	5,705	-	-	-	-	54,408	1,396,537	1,594,102	2,682,978
Salaries, wages and other benefits	163,391	194,793	504,485	555,843	1,132	1,866	4,550	4,971	-	-	-	-	164,523	196,659	509,035	560,814
Fuel and power	93,499	380,484	549,918	862,265	524	1,644	2,771	3,743	-	-	-	-	94,023	382,128	552,689	866,008
Chemicals and catalysts consumed	(5,253)	155,297	117,662	298,178	-	-	-	-	-	-	-	-	(5,253)	155,297	117,662	298,178
Spare parts consumed	18,089	30,894	151,705	209,618	169	526	1,329	4,889	-	-	-	-	18,258	31,420	153,034	214,507
Stores consumed	9,021	13,921	51,621	81,252	319	22	1,425	1,540	-	-	-	-	9,340	13,943	53,046	82,792
Repairs and maintenance	38,075	105,311	102,276	158,560	2	1,086	10	1,698	-	-	-	-	38,077	106,397	102,286	160,258
Insurance	81,005	55,349	207,955	166,049	1,062	595	2,576	1,792	-	-	-	-	82,067	55,944	210,531	167,841
Depreciation on operating fixed assets	195,158	138,650	586,009	353,584	7,696	4,486	23,087	8,647	-	-	-	-	202,855	143,136	609,097	362,231
Depreciation on assets subject to finance lease	3,696	5,960	12,120	19,114	-	-	-	-	-	-	-	-	3,696	5,960	12,120	19,114
Amortization on intangible assets	7,342	2,570	17,841	7,386	-	-	-	-	-	-	-	-	7,342	2,570	17,841	7,386
Others	18,688	24,142	49,966	76,008	0	2,964	6,444	11,891	-	-	-	-	18,689	27,106	56,411	87,899
	676,722	2,500,537	3,939,935	5,465,130	11,302	16,560	47,918	44,876	-	-	-	-	688,024	2,517,097	3,987,853	5,510,006
Opening stock of mid products	38,256	21,952	16,964	17,368	-	-	-	-	-	-	-	-	38,256	21,952	16,964	17,368
Closing stock of mid products	(15,674)	(53,949)	(15,674)	(53,949)	-	-	-	-	-	-	-	-	(15,674)	(53,949)	(15,674)	(53,949)
	22,582	(31,997)	1,291	(36,581)	-	-	-	-	-	-	-	-	22,582	(31,997)	1,291	(36,581)
Cost of goods manufactured	699,305	2,468,540	3,941,226	5,428,549	11,302	16,560	47,918	44,876	-	-	-	-	710,606	2,485,100	3,989,143	5,473,425
Opening stock of finished goods	237,975	98,118	788,873	362,042	30,723	6,454	14,362	20,934	-	-	-	-	268,698	104,572	803,235	382,976
Closing stock of finished goods	(33,252)	(888,379)	(33,252)	(888,379)	(37,844)	(10,239)	(37,844)	(10,239)	-	-	-	-	(71,096)	(898,618)	(71,096)	(898,618)
	204,723	(790,261)	755,621	(526,337)	(7,121)	(3,785)	(23,481)	10,695	-	-	-	-	197,602	(794,046)	732,140	(515,642)
Cost of sales - own manufactured	904,027	1,678,279	4,696,847	4,902,212	4,181	12,775	24,437	55,571	-	-	-	-	908,209	1,691,054	4,721,283	4,957,783
Cost of sales - purchased for resale	-	111,322	11,331	583,485	-	-	-	-	-	-	-	-	-	111,322	11,331	583,485
	904,027	1,789,601	4,708,178	5,485,697	4,181	12,775	24,437	55,571	-	-	-	-	908,209	1,802,376	4,732,615	5,541,268

	Un-audited Jaunary 1 to September 30 2012 (Rupees in thousand)	Un-audited Jaunary 1 to September 30 2011 (Rupees in thousand)
12. CASH GENERATED FROM OPERATION		
Profit before taxation	24,497	4,948,047
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets	850,516	491,860
Depreciation on assets subject to finance lease	51,072	66,164
Amortization on intangible assets	15,750	16,761
Retirement benefits accrued	66,834	44,377
Profit on disposal of operating fixed assets	(10,322)	(4,091)
Profit on disposal of investment	(455,400)	-
Finance cost	2,008,280	2,536,039
Income on bank deposits	(18,321)	(11,026)
Unrealised income on investment held to maturity	(2,494)	(3,366)
Unrealised loss/(gain) on re-measurement of investments	48,000	(740,589)
Unrealised gain on loss of significant influence over associate	-	(113,461)
Provisions and unclaimed balances written back	-	(624)
Dividend income on preference shares of related party	(194,067)	(447,512)
Share of loss of associate	-	17,612
Interest income on loans to related party	(610,756)	(548,726)
Exchange loss	66,743	17,610
Gain on derivative financial instruments	(2,461)	(106,012)
Profit before working capital changes	1,837,871	6,163,063
Effect on cash flow due to working capital changes		
(Increase) / decrease in stores and spare parts	(206,375)	166,807
Decrease in stock-in-trade	(176,934)	680,050
(Increase) / decrease in trade debts	10,637	826,465
Decrease / (increase) in advances, deposits prepayments and other receivables	1,330,987	(49,546)
(Decrease) / increase in trade and other payables	(512,225)	(1,243,390)
	446,090	380,386
	2,283,961	6,543,449

	Un-audited September 30, 2012	Un-audited September 30, 2011
	(Rupees in thousand)	
13. CASH AND CASH EQUIVALENTS		
Short term borrowings	(6,200,651)	(3,321,932)
Cash and bank balances	159,982	331,292
	(6,040,669)	(2,990,640)

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the company	Nature of transaction	Un-audited January 1 to September 30, 2012	2011
		(Rupees in thousand)	
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	50,611	47,944
ii. Key management personnel	Salaries and other employee benefits	86,248	59,058
iii. Associated companies	Markup expense on share deposit money	14,583	24,556
	Markup income on loans to associate	-	166,735
	Markup income on loans to associated company	610,756	381,990
	Dividend income on preferences shares of associate	-	147,531
	Dividend income on preferences shares of associated company	194,067	299,980
	Processing services rendered to associate	-	27,766
	Processing services rendered to associated company	9,542	57,556
	Fertilizer purchased from associate	-	380,403
	Fertilizer purchased from associated company	13,136	185,541
	Expenses shared with associate	-	41,320
	Share of common expenses charged to associated company	440,312	121,377
	Share of common expenses charged by associated company	30,333	-
	Service charges of associated company	-	28,316
iv. Other related parties	Donations	728	12,175

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

	Un-audited June 30, 2012	Audited September 31, 2011
	(Rupees in thousand)	
Period end balances		
Loans and mark up receivable from associated company	4,948,647	5,476,994
Preference dividend receivable from associated company	1,338,038	1,143,971
Payable to related parties	31,500	-

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

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 22, 2012 by the Board of Directors of the company.

16. 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.

Chief Executive

Director

Pakarab Fertilizers Limited
E 110, Khayaban-e-Jinnah,
Lahore Cantt. Lahore 54000
Pakistan