

Half Yearly Report

For the period ended
June 30, 2011

*Sarsabz
Pakistan...*

Nourishing soils for a greener revolution



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Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh

Mr. Faisal Ahmed Mukhtar

Mr. M. Abad Khan

Mr. Muhammad Kashif Habib

Mr. Jørgen Nergaard Gøl

Mr. Syed Iqbal Ashraf
Nominee Director

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Mohammad Abdul Wahab
Chief Financial Officer

Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Asad Murad
Head of Internal Audit

Mr. Shahid Saeed
Head of Information Technology

Mr. Javed Akbar
Head of Procurement

Audit Committee

Mr. Muhammad Kashif Habib
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Legal Advisors

M/s. Chima & Ibrahim
Advocates

1-A/ 245, Tufail Road
Lahore Cantt.

Auditors

M. Yousuf Adil Saleem & Company
Chartered Accountants, Multan.

(A member firm of Deloitte Touche
Tohmatsu)

Shares Registrar & Transfer Agent

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

ADR Depository Bank

BNY Mellon, USA.

Bankers

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank of Punjab
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Silk Bank Limited
Faysal Bank Limited
United Bank Limited
The Bank of Khyber
Pak China Investment Company Limited ("NBFI")
Pak Libya Holding Company (Pvt) Limited ("NBFI")
Saudi Pak Industrial & Agricultural Investment Company Limited ("NBFI")

Registered / Head Office

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

Plant Site

Mukhtar Garh, Sadiqabad,
Distt. Rahim Yar Khan,
Pakistan.
Tel: 068-5786910
Fax: 068-5786909

Dear Shareholders,

On behalf of Board of Directors of Fatima Fertilizer Company Limited, I am pleased to present the six monthly report together with the un-audited financial statements of the Company for the half year ended June 30, 2011.

It gives me great pleasure to inform you that Alhamdulillah the Company has commenced commercial production from July 01, 2011 after successful completion of trial run. The Board records its appreciation for the contribution of all stakeholders including Shareholders, Lenders, Government of Pakistan, Business Associates and all employees of the Company for achieving an important milestone in the life of the Fatima Fertilizer Company Limited.

The product-wise trial production during the period ended June 30, 2011 is as under:

Product	Production Tons
Ammonia	177,710
Urea	205,875
Nitric Acid	112,187
CAN	161,506
NP	10,011

The market demand for Urea and CAN continued to be strong during the Rabi season, which resulted in high sales volume. Increase in the fertilizers prices has also contributed to improved margins. Urea and CAN sales during six months period were PKR 8 billion and the trial run gain was PKR 4,123 M. The formal profit and loss account reflects loss after tax of PKR 152 M which primarily represents administration related costs and minimum tax liability for the six months period.

The liquidity position of the Company has improved following the NP Plant becoming operational and todate all financial obligations of the Company have been met from cash generated from operations.

In order to optimize the capacity utilization of Ammonia Plant, natural gas compressors have been installed at Mari Gas site to increase gas pressure. It has resulted in increase of Ammonia Plant production level to 90%. However some initial technical matters are still being addressed to help operate the Plant at 100% capacity.

Your Company has entered into an agreement with N. Serve Environmental Services GmbH, a German Limited Liability Company, for development and implementation of a Clean Development Mechanism (CDM) project under the provision of the United

Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. CDM Project will generate and issue CERs or other abatement benefits resulting in revenue generation for the Company in foreign currency which is expected to start production by end of 2011.

Your Company continues to conduct international road shows in support of our American Depository Receipts (ADR) program. This level 1 ADR was launched on March 09, 2011 and the designated Depository Bank is BNY Mellon USA. The ADRs will be traded in New York in the over the counter market under the symbol 'FTMFY'.

The Oracle ERP modules with respect to Oracle Financials, Purchasing, Oracle Asset Management and Oracle Supply Chain Management are fully operational while the implementation of Oracle HRMS and Manufacturing is in progress and will be operational by mid-2012.

Fertilizer Industry

The demand for nitrogen remained strong through the period with early sowing of BT cotton and with farmers focus on recovering losses caused by the floods in the 2010 floods. Thus the fertilizer industry remained buoyant, particularly for Urea. However the local industry was hampered by extended and unprecedented gas shutdown and curtailment through all of the first half of the year. The four plants on the SNGPL network were the worst hit with cumulative closure of over three months. This has resulted in shortage of fertilizer in the country jacking up the prices for the farmers. This will require additional import of fertilizer increasing the burden of high subsidies to be borne by the Government in addition to spending of valuable foreign exchange of the country to purchase it from international market at much higher prices as compared to local fertilizers. Though, Fatima has remained unimpacted by the extraordinary curtailment. The imposition of GST in March has also contributed in the price increase of fertilizers in Pakistan.

Fatima's Products Market Review

Sales volume in the second quarter continued to grow over last year's trial production. With the prevailing tight fertilizer condition in the country sales, remained buoyant through the first half of the year. NP sales commenced during the end of the second quarter and the response to both product and packaging is positive. The Company continued supporting the brand with extensive media campaign. Additionally the farmer outreach programme continued to target the consumer through seminars, farmer gatherings and field demonstrations. A retailer image campaign was launched with our top performing dealers by installing shop boards and signage and display of Point Of Sale material. Our network expansion plans are ahead of the annual plan as we target growth of our distribution reach.

Future outlook

Given the continuing specter of gas curtailment, unless addressed otherwise by the Government, fertilizer industry will be hard pressed to meet the Urea demand for Rabi. However the phosphate market is expected to remain under pressure with high opening inventory for Rabi. The prices of DAP are expected to remain at the current high levels with possibility of perhaps an upward revision in fourth quarter. Under the current market conditions Fatima is expected to do well in foreseeable future.

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 and Government of Pakistan. Further the Directors also wish to record their appreciation for the hard work and dedication of all employees.

For and on behalf of the Board

Lahore
August 23, 2011

sd/-
Arif Habib
Chairman

To All Members of The Company

Dear Sir/Madam,

ABSTRACT OF THE TERMS OF APPOINTMENT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of section 218 of the Companies Ordinance, 1984, this is to inform you that the Board of Directors of the Company on April 30, 2011 has reappointed Mr. Fawad Ahmed Mukhtar as Chief Executive Officer of the Company for the next three years commencing from May 01, 2011 to April 30, 2014 without any remuneration. The Chief Executive Officer shall be entitled to all the rights and privileges and subject to all the liabilities of the office of the Chief Executive. The Chief Executive shall carry on the day to day business and affairs of the Company in consultation with the Board of Directors in accordance with the provisions of the Memorandum and Articles of Association of the Company.

MEMORANDUM UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

Mr. Fawad Ahmed Mukhtar is concerned/interested in the appointment to the extent mentioned above and upto the extent of his shareholding in Fatima Fertilizer Company Limited. No other directors are concerned/interested in this appointment.

Introduction

We have reviewed the accompanying condensed interim balance sheet of Fatima Fertilizer Company Limited (the Company) as at June 30, 2011, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof, for the six-months period then ended (here-in-after referred to as “the condensed interim financial information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and June 30, 2010 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2011.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of the person responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2011 is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

M. Jounf Adh Salean CCE

Chartered Accountants

Engagement Partner: Talat Javed
August 25, 2011
Lahore

Condensed Interim Balance Sheet

as at June 30, 2011

	Note	(Un audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
Equity And Liabilities			
Capital And Reserves			
Authorized			
2,100,000,000 (2010: 2,100,000,000)			
Ordinary shares of Rs 10 each		21,000,000	21,000,000
<hr/>			
400,000,000 (2010: 400,000,000)			
Preference shares of Rs 10 each		4,000,000	4,000,000
<hr/>			
Issued, subscribed and paid up			
2,000,000,000 (2010: 2,000,000,000)			
Ordinary shares of Rs 10 each		20,000,000	20,000,000
400,000,000 (2010: 400,000,000)			
Preference shares of Rs 10 each		4,000,000	4,000,000
Share premium		790,000	790,000
Accumulated loss		(683,936)	(531,220)
		24,106,064	24,258,780
Non current liabilities			
Long term finance	4	36,349,291	37,446,530
Dividend payable on preference shares		935,031	603,672
Employee retirement benefits		84,839	73,796
		37,369,161	38,123,998
Current liabilities			
Current portion of long term finance		1,138,000	–
Short term finance – secured	5	1,082,642	316,208
Trade and other payables		6,471,251	3,704,173
Accrued finance cost		2,955,012	2,989,396
Provision for taxation		147,470	64,483
		11,794,375	7,074,260
Contingencies and commitments			
	6		
		73,269,600	69,457,038

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

	Note	(Un audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
Assets			
Non current assets			
Property, plant and equipment	7	921,865	875,984
Capital work in progress	8	65,581,090	64,258,204
Deferred tax asset		21,634	21,914
Long term loans and deposits		5,744	16,330
		66,530,333	65,172,432
Current assets			
Stores and spares	9	3,203,764	2,269,080
Stock in trade	10	1,411,950	535,825
Trade debts		116,437	256,548
Loans, advances, deposits, prepayments and other receivables		1,236,112	939,864
Investments		101,326	–
Cash and bank balances		669,678	283,289
		6,739,267	4,284,606
		73,269,600	69,457,038

Sd/-
Director

Condensed Interim Profit and Loss Account (Un Audited)

For the half year ended June 30, 2011

	Note	Quarter Ended		Half Year Ended	
		June 30, 2011 (Rupees in thousand)	June 30, 2010 (Rupees in thousand)	June 30, 2011 (Rupees in thousand)	June 30, 2010 (Rupees in thousand)
Administrative expenses		(43,534)	(34,458)	(80,642)	(60,856)
Finance cost		(427)	(6,073)	(3,343)	(6,623)
Other income		11,823	260	14,536	260
Loss before taxation		(32,138)	(40,271)	(69,449)	(67,219)
Taxation		(42,301)	(6,357)	(83,267)	(6,357)
Loss for the period		(74,439)	(46,628)	(152,716)	(73,576)
Loss per share					
– basic (rupees)	11	(0.04)	(0.02)	(0.08)	(0.04)
– diluted (rupees)		(0.03)	(0.02)	(0.06)	(0.03)

The annexed explanatory notes from 1 to 17 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 half year ended June 30, 2011

Note	Quarter Ended		Half Year Ended	
	June 30, 2011 (Rupees in thousand)	June 30, 2010 (Rupees in thousand)	June 30, 2011 (Rupees in thousand)	June 30, 2010 (Rupees in thousand)
Loss after taxation	(74,439)	(46,628)	(152,716)	(73,576)
Other comprehensive income	–	–	–	–
Total loss for the period	(74,439)	(46,628)	(152,716)	(73,576)

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement (Un Audited)

For the half year ended June 30, 2011

	Note	Half Year Ended	
		June 30, 2011	June 30, 2010
(Rupees in thousand)			
Cash flows from operating activities			
Cash from operations	13	845,474	(1,548,922)
Finance costs paid		(3,343)	(6,623)
Taxes paid		(109,336)	(20,360)
Employee retirement benefits paid		(3,717)	(7,906)
Net cash from operating activities		729,078	(1,583,811)
Cash flows from investing activities			
Fixed capital expenditure		(1,872,277)	(2,944,665)
Trial run gain		4,123,187	435,472
Finance costs paid		(3,311,446)	(2,374,004)
Proceeds from disposal of property, plant and equipment		66	271
Investments made during the period – net		(100,000)	–
Net decrease / (increase) in long term loans and deposits		10,586	(18,796)
Net cash used in investing activities		(1,149,884)	(4,901,722)
Cash flows from financing activities			
Proceeds from issue of preference shares		–	101,750
Proceeds from issue of ordinary shares		–	2,790,000
Cost of issue of share capital		–	(105,830)
Proceeds from long term finance		40,761	2,530,832
Increase in short term finance – net		766,434	960,414
Net cash from financing activities		807,195	6,277,166
Net increase / (decrease) in cash and cash equivalents		386,389	(208,367)
Cash and cash equivalents – at beginning of the period		283,289	224,417
Cash and cash equivalents – at end of the period		669,678	16,050

The annexed explanatory notes from 1 to 17 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 half year ended June 30, 2011

	Ordinary Share Capital	Preference Share Capital	Share Premium	Accumulated Loss	Total
(Rupees in thousand)					
Balance as at January 1, 2010 (audited)	18,000,000	–	–	(257,212)	17,742,788
Issue of 200,000,000 ordinary shares of Rs 10 each fully paid in cash	2,000,000	–	790,000	–	2,790,000
Issue of 400,000,000 preference shares of Rs 10 each fully paid in cash	–	4,000,000	–	–	4,000,000
Cost of issuance of shares	–	–	–	(105,830)	(105,830)
Loss after tax for the half year ended June 30, 2010	–	–	–	(73,576)	(73,576)
Other Comprehensive income	–	–	–	–	–
	–	–	–	(73,576)	(73,576)
Balance as at June 30, 2010 (un audited)	20,000,000	4,000,000	790,000	(436,618)	24,353,382
Cost of issuance of shares	–	–	–	(4,539)	(4,539)
Loss after tax for the half year ended December 31, 2010	–	–	–	(90,063)	(90,063)
Other Comprehensive income	–	–	–	–	–
	–	–	–	(90,063)	(90,063)
Balance as at December 31, 2010 (audited)	20,000,000	4,000,000	790,000	(531,220)	24,258,780
Loss after tax for the half year ended June 30, 2011	–	–	–	(152,716)	(152,716)
Other Comprehensive income	–	–	–	–	–
	–	–	–	(152,716)	(152,716)
Balance as at June 30, 2011 (un audited)	20,000,000	4,000,000	790,000	(683,936)	24,106,064

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Selected Explanatory Notes to condensed Interim Financial Information (Un audited)

For the half year ended June 30, 2011

1 Legal status and nature of business

Fatima Fertilizer Company Limited ('The Company'), was incorporated in Pakistan on December 24, 2003 as a non listed public company under the Companies Ordinance, 1984. In 2010 the Company got Listed on Karachi, Lahore and Islamabad Stock Exchanges after issuance of 200 million ordinary shares to institutional investors, high net worth individuals and general public through IPO.

Further, on March 09, 2011, the Company has launched American Depository Receipts (ADR) tradable at over the counter (OTC) market at New York Stock Exchange, USA.

The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. The registered office of the Company is in Lahore.

Subsequent to the period end after successful installation and commissioning of its fertilizer plants, the company has commenced commercial operation from July 01, 2011.

2 Basis of preparation

2.1 This condensed interim financial information of the Company for the half year ended June 30, 2011 has been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2010. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended December 31, 2010 and comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement are stated from an audited condensed interim financial information for half year ended June 30, 2010.

2.2 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

2.3 This condensed interim financial information is un audited. However, a limited scope review has been performed by the statutory auditors of the company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

3 Accounting Policies And Estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of this condensed financial information are the same as those applied in the preparation of annual financial statements of the company for the year ended December 31, 2010 except for the adoption of the following new accounting policy:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term.

	(Un audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
4 Long Term Finance		
Secured loans from Banking companies / Financial institutions	32,971,726	32,930,965
Unsecured loans from Pakarab Fertilizer Limited – the associate	4,515,565	4,515,565
	37,487,291	37,446,530
Less: Current portion	1,138,000	–
	36,349,291	37,446,530
5 Short term finance – secured		
Cash finance	82,642	113,461
Running finance	1,000,000	202,747
	1,082,642	316,208

6 Contingencies and commitments

6.1 Contingencies

Post dated cheques not provided for in the financial statements, furnished by the Company to the Collector of Customs to cover excess import levies on plant and machinery amounting to Rs 13.935 million (December 31, 2010: Rs 23.516 million).

The Company has issued guarantee amounting to Rs 200 million (December 31, 2010: Rs 200 million) in favour of Government of the Punjab for contribution towards Fatima Fertilizer Welfare Trust.

Selected Explanatory Notes to condensed Interim Financial Information (Un audited)

For the half year ended June 30, 2011

6.2 Commitments

- (i) Contracts for capital expenditure Rs 137.848 million (December 31, 2010: Rs 974.559 million).
- (ii) Contracts for other than capital expenditure Rs 416.673 million (December 31, 2010: Rs 728.802 million).
- (iii) Future payments under non cancellable operating leases payable not later than one year amount to Rs 3.519 million (December 31, 2010: Rs 9.286 million)

Note	(Un audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
7 Property, plant and equipment		
Written down value at beginning of the period / year	875,984	684,940
Add: additions during the period / year		
Freehold land	–	58,477
Furniture and fixtures	2,897	2,503
Office equipment	1,232	2,442
Electric installations and appliances	72,041	168,102
Computers	1,985	3,547
Vehicles	6,936	21,191
	85,091	256,262
Less: disposals during the period / year	109	490
	960,966	940,712
Less: depreciation charged during the period / year	39,101	64,728
Written down value at end of the period / year	921,865	875,984
8 Capital work in progress		
Civil works	2,781,046	5,017,228
Plant and machinery	47,939,738	44,244,582
Unallocated expenditure	8.1 21,574,519	17,450,438
Trial run gain	8.2 (6,884,714)	(2,761,527)
Advances	8.3 170,501	307,483
	65,581,090	64,258,204

	(Un audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
8.1 Unallocated expenditures		
Salaries, wages and other benefits	1,337,936	1,316,932
Utilities	1,127,158	1,126,214
Travelling and conveyance	154,367	151,910
Legal and professional charges	54,924	54,672
Commitment charges – long term finance	90,038	90,038
Loan arrangement, agency and monitoring fee	610,434	495,014
Technical consultancy	66,811	65,288
Project management services	658,435	102,069
Project insurance	501,942	460,326
Depreciation on property, plant and equipment	122,413	91,192
Mark up on :		
– long term finance	15,944,204	12,471,136
– short term finance	225,637	109,387
– contribution by Sponsors and associated undertakings	367,860	367,860
– temporary loans from related parties	20,797	1,694
	16,558,498	12,950,077
General	291,563	546,706
	21,574,519	17,450,438
8.2 Trial run gain		
Opening balance	2,761,527	–
Trial run sales for the period	8,298,703	7,174,756
Less: Sale incentive	107,617	74,597
Discount	7,280	17,785
	114,897	92,382
	8,183,806	7,082,374
Trial run costs for the period		
Raw material consumed	393,434	300,534
Feed Gas	468,611	839,359
Fuel and power	1,106,666	2,070,960
Salaries and wages and other benefits	577,626	632,196
Stores and spares	256,434	292,537
Catalyst and chemicals	92,828	91,165
Repairs and maintenance	36,677	14,361
Travelling and conveyance	49,040	58,668
Printing and stationary	5,934	7,244
Transportation	409,720	363,564
Insurance	78,079	5,589
Toll manufacturing charges	66,590	111,335
Others	99,417	67,052
	3,641,056	4,854,564
Add: Opening stock	533,717	–
Less: Closing stock	114,154	533,717
	419,563	(533,717)
Trial run gain for the period	4,123,187	2,761,527
Closing balance	6,884,714	2,761,527

Selected Explanatory Notes to condensed Interim Financial Information (Un audited) 
 For the half year ended June 30, 2011

	(Un audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
8.3 Advances		
– Freehold land	17,800	17,800
– Civil works	21,432	130,181
– Plant and machinery	20,195	49,780
– ERP software	11,074	9,722
– Other	100,000	100,000
	170,501	307,483
9 Stores and spares		
Stores	278,171	220,839
Spares	539,128	281,836
Catalyst and chemicals	2,386,465	1,766,405
	3,203,764	2,269,080
10 Stock in trade		
Raw material	1,219,565	–
Packing Material	78,232	2,108
Mid products		
Ammonia	7,591	18,793
Nitric Acid	15,284	26,461
	22,875	45,254
Finished goods		
Urea	11,132	184,643
Nitro Phosphate (NP)	75,634	–
Calcium Ammonium Nitrate (CAN)	4,512	303,820
	91,278	488,463
	1,411,950	535,825

11 Earning per share – basic and diluted (un audited)

11.1 The calculation of basic and diluted earning per share is based on the following data:

	Quarter Ended		Half Year Ended	
	June 30, 2011 (Rupees in thousand)	June 30, 2010	June 30, 2011 (Rupees in thousand)	June 30, 2010 (Rupees in thousand)
Loss				
Loss for the period	(74,439)	(46,628)	(152,716)	(73,576)
Interest on convertible preference shares (net of tax)	–	–	–	–
Loss for the purpose of diluted loss per share	(74,439)	(46,628)	(152,716)	(73,576)
	(No. of shares)		(No. of shares)	
Weighted average number of shares				
Ordinary shares for the purposes of basic loss per share	2,000,000,000	2,000,000,000	2,000,000,000	1,938,461,538
Dilutive effect of potential ordinary shares on conversion of preference shares	368,053,000	431,276,577	368,053,000	431,276,577
Ordinary shares for the purposes of diluted loss per share	2,368,053,000	2,431,276,577	2,368,053,000	2,369,738,115
Basic and diluted loss per share have been computed by dividing loss as stated above with weighted average number of ordinary shares.				
	(Rupees)		(Rupees)	
Basic loss per share	(0.04)	(0.02)	(0.08)	(0.04)
Diluted loss per share	(0.03)	(0.02)	(0.06)	(0.03)

Selected Explanatory Notes to condensed Interim Financial Information (Un audited)

For the half year ended June 30, 2011

12 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	(Un audited)	(Un audited)
		June 30, 2011	June 30, 2010
(Rupees in thousand)			
Associated companies	Long term finance obtained	-	1,335,498
	Toll Manufacturing	53,588	-
	Sale of fertilizer	457,294	-
	Interest expense	369,752	203,012
	Dividend on Preference Shares	331,359	294,227
	Miscellaneous expenses	117,190	17,833
	Stores and spares	32,406	-
Retirement benefit plans	Retirement benefit expense	23,297	18,600
Key management personnel	Remuneration and other benefits	14,063	8,798

Transaction with related parties are carried out at arm's length in the normal course of business. The consideration is computed on commercial terms and conditions.

	(Un audited) June 30, 2011 (Rupees in thousand)	(Audited) June 30, 2010
13 Cash from / (used in) operations		
Loss before tax	(69,449)	(67,219)
Adjustments for:		
Retirement benefits accrued	1,510	13,757
Depreciation on property, plant and equipment	1,886	9,386
Finance costs	3,343	6,623
Unrealized gain on remeasurement of held for trading investment	(509)	-
Gain on disposal of investments	(817)	-
Loss / (Gain) on disposal of property, plant and equipment	42	(260)
	5,455	29,506
Operating cash flows before working capital changes	(63,994)	(37,713)
Effect on cash flow due to working capital changes		
Increase in loans, advances, deposits, prepayments and other receivables	(186,912)	(506,014)
Increase in stock in trade	(876,125)	(659,239)
Increase in stores and spares	(934,684)	(549,232)
Decrease in trade debts	140,111	-
Increase in creditors, accrued and other liabilities	2,767,078	203,276
	909,468	(1,511,209)
	845,474	(1,548,922)

14 Reclassification

Following reclassification has been made in the condensed interim cash flow statement to give better presentation:

Previous classification	Current classification	Rupees in thousands
Fixed capital expenditure	Trial run gain	435,472

Selected Explanatory Notes to condensed Interim Financial Information (Un audited) ▲

For the half year ended June 30, 2011

15 Date of authorization for issue

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on August 23, 2011.

16 Others

There are no other significant activities since June 30, 2011 affecting the interim financial information.

17 General

Figures have been rounded off to nearest rupees in thousand.

Sd/-
Chief Executive

Sd/-
Director

www.Fatima-group.com



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