Half Yearly Report

for the half year ended June 30, 2011

Ample supply through balanced nutrients

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 Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Asad Murad
Head of Internal Audit

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Shahid Saeed
Head of Information Technology

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
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

TFCs & PPTFCs Registrar

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

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 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.

Financial Review

During the period under review your Company earned a pre-tax profit of Rs. 2,411 million and after tax profit of Rs. 1,704 million as against pre-tax profit of Rs.1,738 million and after tax profit of Rs. 1,263 million in the corresponding period last year. Gas curtailment affected the production and sales of all the companies on the SNGPL network and your Company was no exception. Despite the adverse business conditions your Company did not suffer a drastic slash in profit from operations through measures such as adjusting fertilizer prices, streamlining the internal processes and strictly monitoring outlays. However, overall profit after tax for the period is Rs. 441 million more than corresponding period. Revenue from CERs remained almost at the same level compared to the corresponding period last year. Admin, selling and general expenses have increased compared to the corresponding period last year due to general inflationary trend in the economy. In line with the increase in expenses other income has also increased which mainly comprises of interest, change in fair value of investments and dividend income.

Summary of financial results for the half year ended June 30, 2011 and 2010 is given below:

	For the half year ended	
		Restated
	June 30, 2011	June 30, 2010
Sales (Rs. in millions)	7,299	7,602
Gross Profit (%)	49	51
Profit before tax to sales (%)	33	23
EBITDA (Rs. in millions)	4,529	3,820
EBITDA Per Share (Rupees)	10.06	8.49
Earnings Per Share (Rupees)	3.79	2.81
Breakup value per share (Rupees)	24.57	28.18

Production Review

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

	Jan. 11 to June 11		Jan. 10 to June 10		Variance	
Products	Product Ton	Nutrient Ton	Product Ton	Nutrient Ton	Product Ton	Nutrient Ton
Calcium Ammonium Nitrate (CAN)	87,884	22,850	162,885	42,350	(75,001)	(19,500)
Nitro Phosphate (NP)	84,760	35,599	149,029	62,592	(64,269)	(26,993)
Urea	9,894	4,551	39,507	18,173	(29,613)	(13,622)
TOTAL	182,538	63,000	351,421	123,115	(168,883)	(60,115)

Fertilizer Industry and Marketing Review

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. Urea availability was impacted and Government on the advice of the industry had to resort to imports of Urea to bridge the shortfall. With the impacted fertilizer units facing significant volume shortfall, Urea prices were increased thrice during the first half including the impact of the imposition of 17% GST in March.

The phosphate demand has shown a decline in the first half of 2011 and particularly in the run up to Kharif. International prices continued to rise as global demand steadily firmed up during the first half. DAP prices were consequently increased seven times in the first half. Hence the price has increased significantly and with the added impact of GST the current price levels are the highest in recent times. Demand has therefore declined from the farmer end.

Sales volume in the second quarter and in the first half were impacted by gas curtailment and shut downs. Thus CAN sales were 32% behind last year for the same period and NP sales and Urea sales were 28% and 67% short of last year respectively. With the improvement in the quality of Urea and NP both the products were brought under the Sarsabz brand during the period under review, with new packaging. The Company continued with supporting the brand with the 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.

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, Government of Pakistan and all the employees of the Company.

On behalf of the Board

Sd/–

Lahore	Arif Habib
August 23, 2011	Chairman

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakarab Fertilizers Limited as at June 30, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the “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 for the quarters ended June 30, 2010 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

Scope of Review

We conducted our review in accordance with 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 persons responsible for 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 approved accounting standards as applicable in Pakistan for interim financial reporting.

A. F. Ferguson & Co.
Chartered Accountants,

Lahore: August 23, 2011

Engagement Partner: Muhammad Masood

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			
Share capital and reserves			
Authorised share capital 1,000,000,000 (December 31, 2010: 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, 2010: 450,000,000) ordinary shares of Rs 10 each		4,500,000	4,500,000
Reserves		2,098,313	4,995,352
Share deposit money		200,000	200,000
Un–appropriated profit		4,256,754	2,553,104
		11,055,067	12,248,456
Surplus on revaluation of property, plant and equipment		2,475,847	2,475,847
NON–CURRENT LIABILITIES			
Long term finances – secured	7	11,293,765	13,371,890
Liabilities against assets subject to finance lease		178,269	217,379
Long term deposits		46,505	44,031
Deferred liabilities		59,147	57,366
Deferred taxation		6,120,712	5,574,152
		17,698,398	19,264,818
CURRENT LIABILITIES			
Current portion of long term liabilities		5,195,587	4,008,533
Short term borrowings – secured		2,610,851	4,702,528
Payable to Privatization Commission of Pakistan		2,197,901	2,197,901
Trade and other payables		5,386,321	4,458,237
Accrued finance cost		618,274	650,151
Dividend payable		2,897,039	–
Provision for taxation		294,584	630,936
		19,200,557	16,648,286
CONTINGENCIES AND COMMITMENTS	8		
		50,429,869	50,637,407

The annexed notes 1 to 18 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	9	21,853,852	21,916,392
Assets subject to finance lease		283,641	282,714
Intangibles		172,173	183,347
Goodwill		3,305,163	3,305,163
Investments	10	25,856	2,930,231
Long term loans – unsecured		4,515,565	4,515,565
Security deposits		55,733	45,018
		30,211,983	33,178,430
CURRENT ASSETS			
Stores and spare parts		2,254,870	2,309,564
Stock–in–trade		2,475,996	2,946,995
Trade debts		684,500	1,850,695
Advances, deposits, prepayments and other receivables		4,190,379	3,582,964
Derivative financial instruments		30,912	69,958
Investments	11	10,245,199	6,513,126
Cash and bank balances		336,030	185,675
		20,217,886	17,458,977
		50,429,869	50,637,407

Sd/–

Director

Condensed Interim Profit And Loss Account (Un–Audited)

for the quarter and half year ended June 30, 2011

	Note	Quarter ended June 30, 2011	Quarter ended June 30, 2010 Restated	Half year ended June 30, 2011	Half year ended June 30, 2010 Restated
		(Rupees in thousand)			
Sales	12.1	5,037,383	4,930,015	7,299,367	7,602,072
Cost of sales	12.2	(2,566,001)	(2,218,017)	(3,738,891)	(3,712,932)
Gross profit		2,471,382	2,711,998	3,560,476	3,889,140
Administrative expenses		(248,529)	(210,845)	(449,745)	(389,309)
Selling and distribution expenses		(228,481)	(242,307)	(394,945)	(366,841)
Other operating expenses		(136,532)	(127,867)	(156,128)	(137,544)
Other operating income		523,840	518,654	894,959	636,828
Profit from operations		2,381,680	2,649,633	3,454,617	3,632,274
Finance cost		(857,982)	(923,924)	(1,756,371)	(1,764,389)
Share of loss of associate		–	(14,453)	(17,612)	(14,453)
Gain/(loss) on re–measurement of financial assets at fair value through profit or loss		731,960	(61,540)	730,380	(115,540)
Profit before taxation		2,255,658	1,649,716	2,411,014	1,737,892
Taxation		(655,842)	(453,382)	(707,364)	(475,382)
Profit for the period		1,599,816	1,196,334	1,703,650	1,262,510
Earnings per share in Rupees	13	3.56	2.66	3.79	2.81

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

Sd/–
Chief Executive

Sd/–
Director

Condensed Interim Statement Of Comprehensive Income (Un–Audited)

for the quarter and half year ended June 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated
	(Rupees in thousand)			
Profit for the period	1,599,816	1,196,334	1,703,650	1,262,510
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	1,599,816	1,196,334	1,703,650	1,262,510

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

Sd/–
Chief Executive

Sd/–
Director

Condensed Interim Statement Of Changes In Equity (Un–audited)

For the half year ended June 30, 2011

(Rupees In Thousand)

	Share capital	General reserve	Share deposit money	Un–appropriated profit	Total
Balance as on January 01, 2010 – restated (audited)	4,500,000	4,995,352	200,000	5,152,449	14,847,801
Specie dividend	–	–	–	(2,919,564)	(2,919,564)
Total comprehensive income for the half year ended June 30, 2010 – restated	–	–	–	1,262,510	1,262,510
Balance as on June 30, 2010 – restated (un–audited)	4,500,000	4,995,352	200,000	3,495,395	13,190,747
Specie dividend	–	–	–	(2,911,743)	(2,911,743)
Total comprehensive income for the half year ended December 31, 2010	–	–	–	1,969,452	1,969,452
Balance as on December 31, 2010 (audited)	4,500,000	4,995,352	200,000	2,553,104	12,248,456
Specie dividend	–	(2,897,039)	–	–	(2,897,039)
Total comprehensive income for the half year ended June 30, 2011	–	–	–	1,703,650	1,703,650
Balance as on June 30, 2011 (un–audited)	4,500,000	2,098,313	200,000	4,256,754	11,055,067

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

Sd/–
Chief Executive

Sd/–
Director

Condensed Interim Cash Flow Statement (Un–audited)

For the half year ended June 30, 2011

	Note	January 1 to June 30 2011	2010 Restated
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	14	5,654,780	2,178,990
Finance cost paid		(1,788,248)	(1,526,404)
Taxes paid		(497,156)	(192,187)
Retirement benefits paid		(32,542)	(8,770)
Long term deposits received		2,474	38,782
Net cash inflow from operating activities		3,339,308	490,411
Cash flows from investing activities			
Fixed capital expenditure		(240,974)	(354,771)
Profit on derivative financial instruments received		120,933	61,617
Security deposits		(10,715)	(12,411)
Sale proceeds of property, plant and equipment disposed		11,014	7,391
Investments purchased		–	(20,000)
Long term loans to related party		–	(1,335,498)
Profit on bank deposits received		7,246	2,659
Net cash outflow from investing activities		(112,496)	(1,651,013)
Cash flows from financing activities			
Repayment of long term finances		(1,869,960)	(26,494)
Proceeds from long term finances		1,037,836	1,005,311
Payment of liability against mining rights		(52,500)	(52,500)
Repayment of finance lease liability		(100,156)	(33,609)
Net cash (outflow)/inflow from financing activities		(984,780)	892,708
Net increase/(decrease) in cash and cash equivalents		2,242,032	(267,894)
Cash and cash equivalents at the beginning of the period		(4,516,853)	(5,320,705)
Cash and cash equivalents at the end of the period	15	(2,274,821)	(5,588,599)

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

Sd/–
Chief Executive

Sd/–
Director

1. The company and its activities

Pakarab Fertilizers Limited ('the company') was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Ordinance, 1984). The company's status changed to a non–listed public company from June 7, 2007. The company'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. The manufacturing facility of the company 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. The figures for the half year ended June 30, 2011 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. 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, 2010.

3. Significant accounting policies

3.1 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, 2010 except for the adoption of new accounting policies as referred to in note 3.2.1.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

3.2.1 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 01, 2011 but not currently relevant to the company (although they may affect the accounting for future transactions and events):

– IAS 1 (amendments), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no impact on the company's financial statements.

– Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government–related entities to disclose details of all transactions with the government and other government–related entities. The application of this standard has no material impact on the company's financial statements.

– 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the company's financial statements.

– 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented. The application of this amendment has no material impact on the company's financial statements.

– IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation has no material impact on the company's financial statements.

3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2012 or later periods, but the company has not early adopted them:

– IFRS 7 – 'Financial Instruments: Disclosures' (Amendments). These are applicable on accounting periods beginning on or after July 01, 2011. These amendments arise from the IASB's review of off–balance–sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application is permitted. The company will apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

– IFRS 9 – 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available–for–sale debt investments, for example, will, therefore, have to be recognised directly in profit or loss. The company has not yet decided when to adopt IFRS 9.

– IAS 1 – 'Financial statement presentation' (Amendment). This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The company will apply this amendment from January 01, 2013 and does not expect to have a material impact on its financial statements.

– IAS 12 – 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non–depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The company will apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

– IAS 19 – 'Employee Benefits' (Amendment). This is applicable on accounting periods beginning on or after January 01, 2013. The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The company will apply this amendment from January 01, 2013 and has yet to assess its full impact.

– IFRS 12 – 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The company will apply this standard from January 01, 2013.

– IFRS 13 – 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The company will apply this standard from January 01, 2013.

4. The preparation of the condensed interim financial information requires management to make judgements, 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 judgements 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, 2010.

5. Financial risk management

5.1 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, 2010.

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

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 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 June 30, 2011.

	Level 1	Level 2	Level 3	Rupees in thousand Total
At fair value through profit or loss				
Equity securities	3,748,160	–	–	3,748,160
Available for sale				
Debt investment	–	3,600,000		3,600,000
Total assets	3,748,160	3,600,000	–	7,348,160
Liabilities	–	–	–	–

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2010.

	Level 1	Level 2	Level 3	Rupees in thousand Total
At fair value through profit or loss				
Equity securities	7,280	–	–	7,280
Available for sale				
Debt investment	–	3,600,000		3,600,000
Total assets	7,280	3,600,000	–	3,607,280
Liabilities	–	–	–	–

In 2011 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 2011 there were no reclassifications of financial assets.

6. 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.

	Un–Audited June 30, 2011	Audited December 31, 2010
	(Rupees	in thousand)
7. Long term finances – secured		
Opening balance	17,192,893	17,366,963
Disbursements during the period/year	1,037,836	1,066,200
	18,230,729	18,433,163
Repayments during the period/year	(1,869,960)	(1,240,270)
Closing balance	16,360,769	17,192,893
Less: Current portion shown under current liabilities	5,067,004	3,821,003
	11,293,765	13,371,890

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 for Rs 8.846 million (December 31, 2010: Rs 8.846 million).

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

(iii) Indemnity bonds aggregating Rs 167.720 million (December 31, 2010: Rs 167.170 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 import of raw material aggregating to Nil (December 31, 2010: Rs 4.320 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 (December 31, 2010: 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 reporting 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, has been 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 178.342 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 has agitated the amendment orders before CIR(A), which are pending adjudication. Since, it is the management's assertion that company's stance is supported by relevant legal position and the underlying facts, 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 has raised sales tax and federal excise duty demands aggregating Rs 1,146 million along with applicable default surcharge and penalties. Such demands are 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. Management considers that position adopted by department is not only against the spirit behind the exemption earlier applicable in respect of 'fertilizer products' but also against the relevant provisions of law. Against the subject order, company is following the remedial course provided for in the relevant statutes and has also taken up the matter with Chairman, Federal Board of Revenue for obtaining relief in terms of section 7 of Federal Board of Revenue Act, 2007. Consequently, the demand raised against the company has not been recognized as an expense in this condensed interim financial information.

(xiv) Included in trade debts is an amount of Rs 23.873 million (December 31, 2010: Rs 23.873 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, 2010: Rs 23.051 million)

8.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 315.222 million (December 31, 2010: Rs 416.697 million).

(ii) Letters of credit other than for capital expenditure Rs 283.566 million (December 31, 2010: Rs 894.892 million).

(iii) Purchase orders aggregating Rs 8.419 million (December 31, 2010: Rs 3.940 million) were placed and letters of credit were established subsequently.

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

	Un–Audited June 30, 2011	Audited December 31, 2010
	(Rupees in thousand)	
Not later than one year	44,686	35,538
Later than one year and not later than five years	94,938	63,898
	139,624	99,436

	Note	Un–Audited June 30, 2011 (Rupees in thousand)	Audited December 31, 2010 (Rupees in thousand)
9. Property, plant and equipment			
Operating fixed assets	9.1	21,623,437	21,712,407
Capital work–in–progress		230,415	203,985
		21,853,852	21,916,392
9.1 Operating fixed assets			
Opening book value		21,712,407	20,585,253
Additions during the period/year	9.1.1	214,544	1,698,559
Book value of transfers in from assets subject to finance lease		8,018	14,712
Book value of fixed assets disposed off during the period/year		6,924	17,647
Depreciation charged during the period/year		304,608	568,470
Closing book value		21,623,437	21,712,407
9.1.1 Additions during the period/year			
Buildings on freehold land		24	22,050
Plant and machinery		130,120	1,514,584
Furniture and fixtures		6,024	57,869
Tools and equipment		21,857	64,411
Vehicles		–	30,034
Catalyst		56,519	9,611
		214,544	1,698,559
10. Investments			
Associate – quoted:			
Fatima Fertilizer Company Limited 225,000,000 (December 31, 2010: 450,000,000) fully paid ordinary shares of Rs 10 each Equity held Nil (December 31, 2010: 22.50%)		–	5,811,691
Less: Classified under current assets – 225,000,000 fully paid ordinary shares of Rs 10 each	11	–	2,905,846
		–	2,905,845
Held to maturity:			
– Other		25,856	24,386
		25,856	2,930,231

	Note	Un–Audited June 30, 2011	Audited December 31, 2010
		(Rupees in thousand)	
11. Investments			
At fair value through profit or loss:			
Related party – quoted Fatima Fertilizer Company Limited 225,000,000 (December 31, 2010: Nil) fully paid ordinary shares of Rs 10 each Equity held 11.25% (December 31, 2010: Nil)	11.1	3,744,000	–
Other – Wateen Telecom Limited 2,000,000 (December 31, 2010: 2,000,000) fully paid ordinary shares of Rs 10 each		4,160	7,280
		3,748,160	7,280
Available for sale:			
Related party – quoted Fatima Fertilizer Company Limited 360,000,000 (December 31, 2010: 360,000,000) unquoted fully paid non–voting convertible cumulative preference shares of Rs 10 each Extent of preference shares held 90%		3,600,000	3,600,000
	11.2	7,348,160	3,607,280
Classified from non–current investments		–	2,905,846
Investment held for distribution to members		2,897,039	–
		9,389,345	6,513,126

11.1 During the period, on March 31, 2011, the company's members approved the distribution of specie dividend of 225 million ordinary shares of Fatima Fertilizer Company Limited ('FATIMA') held by the company, due to which the company's holding in FATIMA reduced to the extent of 11.25%. Consequently, from April 1, 2011, the company lost significant influence over FATIMA and its remaining investment in the 225 million ordinary shares of FATIMA has been designated by the company upon initial recognition as 'financial asset at fair value through profit or loss' under IAS 39 'Financial Instruments: Recognition and Measurement'.

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

12. Segment results

	Note	Fertilizers				Clean Development Mechanism				Total			
		Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended	
		June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated
		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Sales – external	12.1	4,779,341	4,599,130	6,711,175	6,998,433	258,042	330,885	588,192	603,639	5,037,383	4,930,015	7,299,367	7,602,072
Cost of sales	12.2	2,545,668	2,221,268	3,696,128	3,703,728	20,333	(3,251)	42,763	9,204	2,566,001	2,218,017	3,738,891	3,712,932
Gross profit		2,233,673	2,377,862	3,015,047	3,294,705	237,709	334,136	545,429	594,435	2,471,382	2,711,998	3,560,476	3,889,140
Administrative expenses		246,781	203,807	446,452	379,498	1,748	7,038	3,293	9,811	248,529	210,845	449,745	389,309
Selling and distribution expenses		171,593	169,661	271,021	259,236	56,888	72,646	123,924	107,605	228,481	242,307	394,945	366,841
		418,374	373,468	717,473	638,734	58,636	79,684	127,217	117,416	477,010	453,152	844,690	756,150
Segment results		1,815,299	2,004,394	2,297,574	2,655,971	179,073	254,452	418,212	477,019	1,994,372	2,258,846	2,715,786	3,132,990
Other operating expenses												(156,128)	(137,544)
Other operating income												894,959	636,828
Profit from operations												3,454,617	3,632,274
Finance cost												(1,756,371)	(1,764,389)
Share of loss of associate												(17,612)	(14,453)
Gain/(loss) on re–measurement of financial assets at fair value through profit or loss												730,380	(115,540)
Taxation												(707,364)	(475,382)
Profit for the period												1,703,650	1,262,510

	Fertilizers				Clean Development Mechanism				Total			
	Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
12.1 Sales – external												
Fertilizer products:												
– Own manufactured	4,025,921	4,491,786	5,886,725	6,842,746	–	–	–	–	4,025,921	4,491,786	5,886,725	6,842,746
– Purchased for resale	534,724	–	534,724	–	–	–	–	–	534,724	–	534,724	–
Certified Emission Reductions	–	–	–	–	258,042	330,885	588,192	603,639	258,042	330,885	588,192	603,639
Mid products	173,202	117,528	230,269	168,812	–	–	–	–	173,202	117,528	230,269	168,812
	4,733,847	4,609,314	6,651,718	7,011,558	258,042	330,885	588,192	603,639	4,991,889	4,940,199	7,239,910	7,615,197
Less:												
Sales incentive	(7,482)	–	39,279	–	–	–	–	–	(7,482)	–	39,279	–
Discount	–	10,184	1,227	13,125	–	–	–	–	–	10,184	1,227	13,125
	(7,482)	10,184	40,506	13,125	–	–	–	–	(7,482)	10,184	40,506	13,125
Rock phosphate	12,189	–	46,374	–	–	–	–	–	12,189	–	46,374	–
Processing income	25,822	–	53,588	–	–	–	–	–	25,822	–	53,588	–
	4,779,341	4,599,130	6,711,175	6,998,433	258,042	330,885	588,192	603,639	5,037,383	4,930,015	7,299,367	7,602,072

12.2 Cost of sales

	Fertilizers				Clean Development Mechanism				Total			
	Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated	June 30, 2011	June 30, 2010 Restated
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Raw material consumed	644,155	1,296,200	1,173,283	2,103,286	1,242	2,433	2,321	4,028	645,397	1,298,633	1,175,604	2,107,314
Packing material consumed	66,852	80,668	110,837	129,542	–	–	–	–	66,852	80,668	110,837	129,542
	711,007	1,376,868	1,284,120	2,232,828	1,242	2,433	2,321	4,028	712,249	1,379,301	1,286,441	2,236,856
Salaries, wages and other benefits	177,142	139,815	361,064	318,989	1,607	1,071	3,092	2,395	178,749	140,886	364,156	321,384
Fuel and power	242,012	445,627	481,787	740,882	1,077	1,101	2,093	2,249	243,089	446,728	483,880	743,131
Chemicals and catalysts consumed	73,481	112,195	142,881	199,843	–	–	–	–	73,481	112,195	142,881	199,843
Spare parts consumed	62,211	51,554	178,724	168,887	4,359	472	4,363	4,474	66,570	52,026	183,087	173,361
Stores consumed	7,765	20,577	67,331	68,666	43	607	1,518	1,284	7,808	21,184	68,849	69,950
Repairs and maintenance	36,906	25,356	53,249	44,536	364	85	612	149	37,270	25,441	53,861	44,685
Insurance	54,729	77,025	110,700	129,378	600	1,316	1,197	2,256	55,329	78,341	111,897	131,634
Depreciation on operating fixed assets	125,489	98,732	231,832	197,043	647	2,007	4,161	4,013	126,136	100,739	235,993	201,056
Depreciation on assets subject to finance lease	(5,573)	6,818	1,072	11,983	–	–	–	–	(5,573)	6,818	1,072	11,983
Amortisation on intangible assets	(5,587)	5,250	–	10,500	–	–	–	–	(5,587)	5,250	–	10,500
Others	26,100	14,376	51,865	27,168	4,330	3,569	8,926	5,579	30,430	17,945	60,791	32,747
	1,505,682	2,374,193	2,964,625	4,150,703	14,269	12,661	28,283	26,427	1,519,951	2,386,854	2,992,908	4,177,130
Opening stock of mid products	16,843	37,442	17,368	12,153	–	–	–	–	16,843	37,442	17,368	12,153
Closing stock of mid products	(21,952)	(15,085)	(21,952)	(15,085)	–	–	–	–	(21,952)	(15,085)	(21,952)	(15,085)
	(5,109)	22,357	(4,584)	(2,932)	–	–	–	–	(5,109)	22,357	(4,584)	(2,932)
Cost of goods manufactured	1,500,573	2,396,550	2,960,041	4,147,771	14,269	12,661	28,283	26,427	1,514,842	2,409,211	2,988,324	4,174,198
Opening stock of finished goods	671,050	731,404	362,042	462,643	12,518	27,424	20,934	26,113	683,568	758,828	382,976	488,756
Closing stock of finished goods	(98,118)	(906,686)	(98,118)	(906,686)	(6,454)	(43,336)	(6,454)	(43,336)	(104,572)	(950,022)	(104,572)	(950,022)
	572,932	(175,282)	263,924	(444,043)	6,064	(15,912)	14,480	(17,223)	578,996	(191,194)	278,404	(461,266)
Cost of goods sold– own manufactured	2,073,505	2,221,268	3,223,965	3,703,728	20,333	(3,251)	42,763	9,204	2,093,838	2,218,017	3,266,728	3,712,932
Cost of goods sold – purchased for resale	472,163	–	472,163	–	–	–	–	–	472,163	–	472,163	–
	2,545,668	2,221,268	3,696,128	3,703,728	20,333	(3,251)	42,763	9,204	2,566,001	2,218,017	3,738,891	3,712,932

	Quarter ended June 30, 2011	Quarter ended June 30, 2010 Restated	Half year ended June 30, 2011	Half year ended June 30, 2010 Restated
	(Rupees in thousand)			
13 Earnings per share				
13.1 Basic earnings per share				
Net profit for the period (Rupees in thousand)	1,599,816	1,196,334	1,703,650	1,262,510
Weighted average number of ordinary shares (Number)	450,000,000	450,000,000	450,000,000	450,000,000
Earnings per share (Rupees)	3.56	2.66	3.79	2.81

13.2 Diluted earnings per share

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2011 and June 30, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

	Un–audited January 1 to June 30 2011	Un–audited January 1 to June 30 2010 Restated
	(Rupees in thousand)	
14. Cash generated from operations		
Profit before taxation	2,411,014	1,737,892
Adjustments for non cash charges and other items:		
– Depreciation on operating fixed assets	304,608	276,860
– Depreciation on assets subject to finance lease	45,655	29,305
– Amortization on intangibles	11,174	11,173
– Retirement benefits accrued	30,306	18,117
– Profit on disposal of operating fixed assets	(4,090)	(1,523)
– Finance cost	1,756,371	1,764,390
– Income on bank deposits	(7,457)	(2,659)
– Unrealised income on investment held to maturity	(1,469)	(1,276)
– Unrealised (gain)/loss on re–measurement of investments	(730,380)	115,540
– Unrealised gain on loss of significant influence over associate	(113,461)	–
– Provisions and unclaimed balances written back	(624)	(55,991)
– Share of loss of associate	17,612	14,453
– Gain on derivative financial instruments	(81,887)	(66,569)
Profit before working capital changes	3,637,372	3,839,712
Effect on cash flow due to working capital changes		
– Decrease in stores and spare parts	54,694	16,709
– Decrease / (increase) in stock–in–trade	470,999	(1,345,719)
– Decrease / (increase) in trade debts	1,166,195	(574,667)
– Increase in advances, deposits prepayments and other receivables	(607,205)	(355,559)
– Increase in trade and other payables	932,725	598,514
	2,017,408	(1,660,722)
	5,654,780	2,178,990

	Un–Audited June 30, 2011	June 30, 2010
	(Rupees in thousand)	
15. Cash and cash equivalents		
Short term borrowings – secured	(2,610,851)	(6,177,783)
Cash and bank balances	336,030	589,184
	(2,274,821)	(5,588,599)

16. TRANSACTIONS WITH RELATED PARTIES:

Relationship with the company	Nature of transaction	Un–Audited January 1 to June 30 2011	2010
		(Rupees in thousand)	
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	27,380	17,421
ii. Key management personnel	Salaries and other employee benefits	34,837	28,602
iii. Associated companies	Markup expense on share deposit money	16,265	13,568
	Markup income on loans to subsidiary	–	102,880
	Markup income on loans to associate	166,735	100,132
	Markup income on loans to associated company	203,016	–
	Dividend income on preferences shares of subsidiary	–	148,080
	Dividend income on preferences shares of associate	147,531	117,548
	Dividend income on preferences shares of associated company	149,170	–
	Processing services rendered to associate	27,766	–
	Processing services rendered to associated company	25,822	–
	Fertilizer purchased from associate	380,403	–
	Fertilizer purchased from associated company	76,884	–
	Expenses shared with associate	41,320	–
	Expenses shared with associated company	77,668	–
	Service charges of associated company	28,316	48,560
iv. Other related parties	Donations	12,175	–

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

	Un–Audited June 30, 2011	Audited December 31, 2010
	(Rupees in thousand)	
Period end balances		
Long term loans to associate	–	4,515,565
Long term loans to associated company	4,515,565	–
Markup receivable from associate	–	239,691
Markup receivable from associated company	609,442	–
Preference dividend receivable from associate	–	545,651
Preference dividend receivable from associated company	842,352	–
Receivable from related parties	34,400	–
Payable to related parties	16,270	–
Payable to associate	–	22,584

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

17. Date of authorization for issue

This condensed interim financial information was authorised for issue on August 23, 2011 by the Board of Directors of the company.

18. Corresponding figures

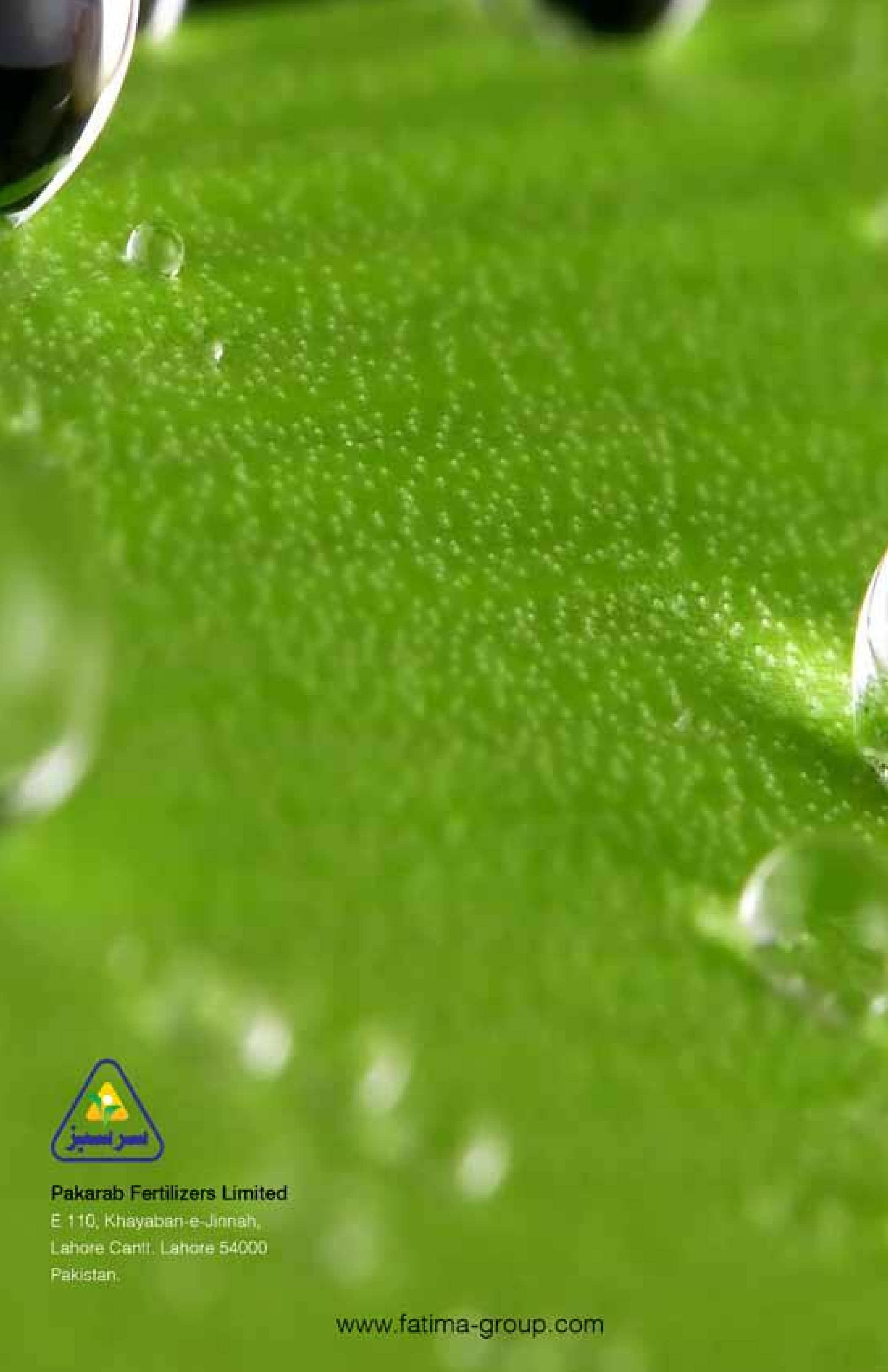
In order to comply with the requirements of International Accounting Standard 34 – 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial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

Futhermore, in order to ensure consistent and relevant information, the corresponding figures for the quarter and half year ended June 30, 2010 have been restated since the company retrospectively changed its accounting policy for revenue recognition of Certified Emission Reductions (CERs) at last year end, after the interim financial information for the quarter and half year ended June 30, 2010 had been circulated, figures of which were based on the previous accounting policy for revenue recognition of CERs.

Sd/–
Chief Executive

Sd/–
Director

Notes



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