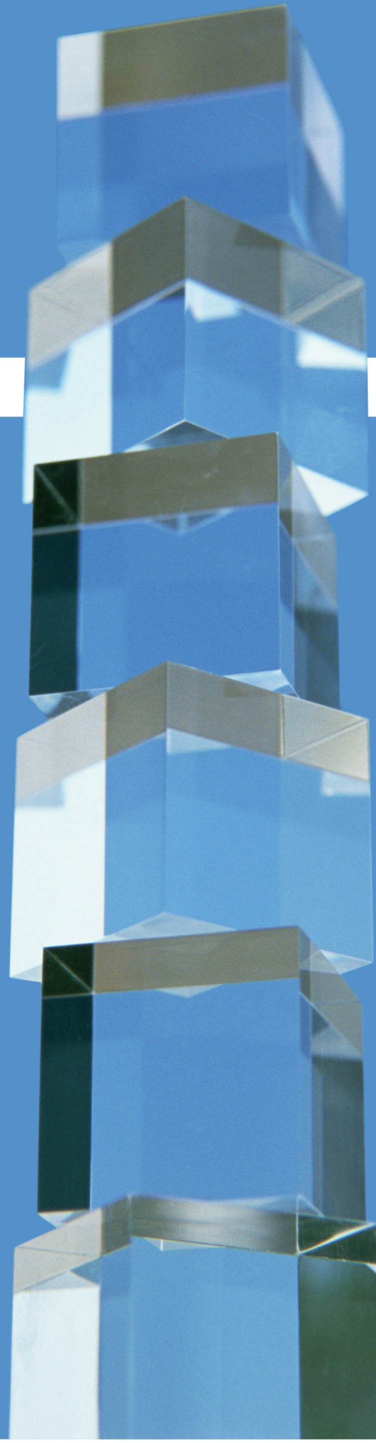
Condensed Interim Financial Statements
for the quarter and half year ended June 30, 2012

Committed to transparent and sustainable growth



Pakarab Fertilizers Limited

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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. 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
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 six monthly report together with the un-audited financial statements of the Company for the half year ended June 30, 2012.

Financial Performance Review

The period under review has been most difficult for the Company, resulting in an operating loss of Rs. 235 million after adjusting financial cost as compared to the profit of Rs. 803 million for the corresponding period last year. This has been mainly due to unfair gas curtailment to Pakarab for 127 days during the period under review of 182 days. This has been so despite the fact that fertilizer has priority over power and other industry. Additionally, a gas cess at 170% has also been levied on supply of gas to the fertilizer industry. This has resulted in not only dent in profitability of fertilizer companies but has also affected 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. 875 per bag in addition to the subsidy of Rs. 226 per bag through feed gas.

Your Company is engaged with the Ministry of Petroleum for a fair treatment to 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.

Your Company suffered operating loss of Rs. 235 million after adjusting financial cost, however, it managed to make before tax profit of PKR 798 million compared with before tax profit of PKR 2,411 million for corresponding period last year which mainly comprised of mark up and dividend income from investments. 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 379 million as compared to corresponding period last year due to effective management of funds and interest rate spread reduction after negotiation with the lenders.

Moreover, your Company has redeemed its holding of preference shares in Fatima Fertilizer Company Limited (Fatima), half in cash and half by conversion into ordinary shares of Fatima, this has indeed affected cash flows positively.

Industry Outlook

The nitrogen market and primarily Urea remained under pressure on account of large inventory buildup following a weak Rabi season. National Industry stocks swelled to a record million tons during April 2012 on the back of large imports by the Government. Sales hence remained under pressure throughout the first half.

During the second quarter, NP was supported by a major farmer promotion campaign with significant media advertising. Sales in the first half indicate that our share of the phosphate market has grown significantly. We continued to consolidate our technical services performance and augmenting our channel penetration.

The ongoing Kharif season seems a challenge for the Industry as the paucity of water may impact the area under cultivation. The extended winter has already impacted the BT cotton sowing in most parts of Sind and south Punjab.

The management of your Company is confident that the situation would improve during the upcoming half year as the gas supply to fertilizer plants on SNGPL network is expected to resume by the end of this summer wave. 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

sd/-

Lahore
August 25, 2012

Arif Habib
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, 2012 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, 2011 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012.

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, 2012 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 25, 2012

Engagement Partner: Muhammad Masood

Condensed Interim Balance Sheet

As at June 30, 2012 (Un-audited)

	Note	Un-audited June 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		6,076,353	5,714,040
		10,576,353	10,414,040
Surplus on revaluation of operating fixed assets		11,713,636	11,942,294
NON-CURRENT LIABILITIES			
Long term finances - secured	7	6,277,084	8,484,223
Supplier's credit - secured		2,260,800	1,796,000
Liabilities against assets subject to finance lease		98,615	138,018
Long term deposits		45,595	47,345
Deferred liabilities		130,979	90,684
Deferred taxation		11,281,005	10,967,290
		20,094,078	21,523,560
CURRENT LIABILITIES			
Current portion of long term liabilities		7,004,862	6,335,181
Short term borrowings - secured		6,036,753	4,643,806
Derivative financial instruments		1,034	-
Payable to Privatization Commission of Pakistan		2,197,901	2,197,901
Trade and other payables		2,267,534	3,120,353
Accrued finance cost		566,141	677,086
Dividend payable		1,127,700	3,755,250
Provision for taxation		-	731,455
		19,201,925	21,461,032
CONTINGENCIES AND COMMITMENTS	8		
		61,585,992	65,340,926

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

Sd/-

Chief Executive

	Note	Un-audited June 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	37,350,818	37,937,267
Assets subject to finance lease		178,041	229,382
Intangible assets		150,500	161,000
Goodwill		3,305,163	3,305,163
Investments		197,640	130,482
Long term loans - unsecured		4,515,565	4,515,565
Security deposits		70,558	57,036
		45,768,285	46,335,895
CURRENT ASSETS			
Stores and spare parts		2,726,288	2,583,273
Stock-in-trade		1,880,738	2,057,363
Trade debts		1,291,232	890,573
Advances, deposits, prepayments and other receivables		5,580,424	5,299,913
Derivative financial instruments		-	18,756
Investments	10	2,241,850	7,358,830
Cash and bank balances		2,097,175	796,323
		15,817,707	19,005,031
		61,585,992	65,340,926

Sd/-

Director

Condensed Interim Profit and Loss Account

For the quarter and half year ended June 30, 2012 (Un-audited)

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
Sales	3,762,674	5,037,383	5,968,809	7,299,367
Cost of sales	(2,240,568)	(2,566,001)	(3,824,406)	(3,738,891)
Gross profit	1,522,106	2,471,382	2,144,403	3,560,476
Administrative expenses	(362,780)	(248,529)	(742,616)	(449,745)
Selling and distribution expenses	(74,210)	(228,481)	(174,566)	(394,945)
	1,085,116	1,994,372	1,227,221	2,715,786
Finance cost	(694,511)	(857,982)	(1,372,289)	(1,751,270)
Other operating expenses	(99,216)	(136,532)	(89,901)	(161,229)
	291,389	999,858	(234,969)	803,287
Other operating income	707,621	523,840	1,050,373	894,959
Share of loss of associate	-	-	-	(17,612)
(Loss) / gain on re-measurement of financial assets at fair value through profit or loss	(18,730)	731,960	(17,130)	730,380
Profit before taxation	980,280	2,255,658	798,274	2,411,014
Taxation	282,526	(655,842)	340,094	(707,364)
Profit for the period	1,262,806	1,599,816	1,138,368	1,703,650
Earnings per share in Rupees - basic and diluted	2.81	3.56	2.53	3.79

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Comprehensive Income

For the quarter and half year ended June 30, 2012 (Un-audited)

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
		(Rupees in thousand)		
Profit for the period	1,262,806	1,599,816	1,138,368	1,703,650
Other comprehensive income:				
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	175,823	-	351,645	-
Total comprehensive income for the period	1,438,629	1,599,816	1,490,013	1,703,650

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Changes in Equity

For the half year ended June 30, 2012 (Un-audited)

(Rupees In Thousand)

	Share capital	Share deposit money	Revenue reserves		Total
			General reserves	Un-appropriated profit	
Balance as on January 1, 2012 (audited)	4,500,000	200,000	2,098,313	3,615,727	10,414,040
Profit for the period	-	-	-	1,138,368	1,138,368
Other comprehensive income for the period:					
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	-	-	-	351,645	351,645
Total comprehensive income for the half year ended June 30, 2012	-	-	-	1,490,013	1,490,013
Share deposit money refunded	-	(200,000)	-	-	(200,000)
Specie dividend to equity holders of the company	-	-	-	(1,127,700)	(1,127,700)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(200,000)	-	(1,127,700)	(1,327,700)
Balance as on June 30, 2012 (un-audited)	4,500,000	-	2,098,313	3,978,040	10,576,353
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	-	-	-	1,703,650	1,703,650
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the half year ended June 30, 2011	-	-	-	1,703,650	1,703,650
Specie dividend to equity holders of the company	-	-	(2,897,039)	-	(2,897,039)
Total contributions by and distributions to owners of the company recognised directly in equity	-	-	(2,897,039)	-	(2,897,039)
Balance as on June 30, 2011 (un-audited)	4,500,000	200,000	2,098,313	4,256,754	11,055,067

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement

For the half year ended June 30, 2012 (Un-audited)

	Note	January 1 to June 30	
		2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	1,818,616	5,654,780
Finance cost paid		(1,483,234)	(1,788,248)
Taxes paid		(206,886)	(497,156)
Retirement benefits paid		(18,253)	(32,542)
Long term deposits (paid)/received		(1,750)	2,474
Net cash inflow from operating activities		108,493	3,339,308
Cash flows from investing activities			
Purchase of property, plant and equipment		(201,247)	(240,974)
Profit on derivative financial instruments received		22,251	120,933
Security deposits		(15,510)	(10,715)
Sale proceeds of property, plant and equipment disposed		25,664	11,014
Investments made		(65,501)	-
Investments redeemed		1,800,000	-
Profit on bank deposits received		8,628	7,246
Net cash inflow / (outflow) from investing activities		1,574,285	(112,496)
Cash flows from financing activities			
Repayment of long term finances		(3,034,543)	(1,869,960)
Proceeds from long term finances acquired		1,500,000	1,037,836
Payment of liability against mining rights		-	(52,500)
Repayment of share deposit money		(200,000)	-
Repayment of finance lease liability		(40,330)	(100,156)
Net cash outflow from financing activities		(1,774,873)	(984,780)
Net (decrease)/increase in cash and cash equivalents		(92,095)	2,242,032
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	(3,939,578)	(2,274,821)

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

Sd/-
Chief Executive

Sd/-
Director

Notes to and forming part of Condensed Interim Financial Information

For the half year ended June 30, 2012 (Un-audited)

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

2.1 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, 2012 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, 2011.

2.2 During the current period, the company has changed the presentation of its Profit and Loss Account to bring it in line with the practice followed by major players of the local fertilizer industry. Previously, 'other operating income' was presented before 'finance cost'. However, as per new presentation, 'finance cost' has been presented before 'other operating income'. The presentation has been revised as in management's view, the new presentation provides reliable and more relevant information for the users of the company's financial statements as it is an improvement on the previous presentation. In accordance with the requirements of IAS 1 'Presentation of Financial Statements', comparative amounts have been reclassified in line with the new presentation.

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, 2011.

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 Standards, amendments and interpretations to approved accounting standards that are effective

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 1, 2012 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.

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 (equivalent to Rs 376.8 million) with maturity in July 2012, the company has arranged its settlement in July 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 June 30, 2012.

			Rupees in thousand	
	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Equity securities	1,114,150	-	-	1,114,150
Available for sale				
Equity securities	-	-	23,500	23,500
Total assets	1,114,150	-	23,500	1,137,650
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 June 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	1,500,000	1,437,836
	16,228,309	18,630,729
Repayments during the period/year	(3,034,543)	(3,902,420)
Closing balance	13,193,766	14,728,309
Less: Current portion shown under current liabilities	(6,916,682)	(6,244,086)
	6,277,084	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 354.880 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 150 million (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 156.945 million (December 31, 2011: Rs 312.650 million).

(ii) Letters of credit other than for capital expenditure Rs 500.411 million (December 31, 2011: Rs 233.937 million).

(iii) Purchase orders aggregating Rs 77.601 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:

	Note	Un-audited June 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
Not later than one year		45,044	52,564
Later than one year and not later than five years		99,640	106,950
		144,684	159,514

9. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited June 30, 2012	Audited December 31, 2011
Operating fixed assets	9.1	37,057,223	37,643,602
Capital work-in-progress		293,595	293,665
		37,350,818	37,937,267

	Note	Un-audited June 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
9.1 Operating fixed assets			
Opening book value		37,643,602	21,712,407
Additions during the period/year	9.1.1	154,500	2,650,708
Revaluation during the period/year		-	14,048,486
Book value of transfers in from assets subject to finance lease		15,861	22,966
Book value of fixed assets disposed off during the period/year		(20,572)	(16,747)
Depreciation charged during the period/year		(736,168)	(774,218)
Closing book value		37,057,223	37,643,602
9.1.1 Additions during the period/year			
Buildings on freehold land		-	23,676
Plant and machinery		21,793	193,764
Aircrafts		4,303	2,273,109
Furniture and fixtures		1,018	12,016
Tools and equipment		10,178	68,811
Vehicles		1,998	22,777
Catalyst		115,210	56,555
		154,500	2,650,708

10. INVESTMENTS

	Note	Un-audited June 30, 2012	Audited December 31, 2011
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 Extent of preference shares held Nil (December 31, 2011: 90%)		-	3,600,000
At fair value through profit or loss:			
Related party - quoted Fatima Fertilizer Company Limited 45,000,000 (December 31, 2011: Nil) fully paid ordinary shares of Rs 10 each	10.1	1,110,150	-
Other - quoted:			
Wateen Telecom Limited 2,000,000 (December 31, 2011: 2,000,000) fully paid ordinary shares of Rs 10 each		4,000	3,580
		1,114,150	3,603,580
Investment held for distribution to members		1,127,700	3,755,250
		2,241,850	7,358,830

10.1 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.

	January 1 to June 30 2012	2011
	(Rupees in thousand)	
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	798,274	2,411,014
Adjustments for non cash charges and other items:		
- Depreciation on operating fixed assets	736,168	304,608
- Depreciation on assets subject to finance lease	35,480	45,655
- Amortization on intangible assets	10,500	11,174
- Retirement benefits accrued	58,548	30,306
- Profit on disposal of operating fixed assets	(5,150)	(4,090)
- Profit on disposal of investment	(455,400)	-
- Finance cost	1,372,289	1,756,371
- Income on bank deposits	(8,628)	(7,457)
- Unrealised income on investment held to maturity	(1,657)	(1,469)
- Unrealised loss/(gain) on re-measurement of investments	17,130	(730,380)
- 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)	(296,701)
- Share of loss of associate	-	17,612
- Interest income on loans to related party	(327,225)	(369,751)
- Exchange loss	66,744	5,101
- Gain on derivative financial instruments	(2,461)	(81,887)
Profit before working capital changes	2,100,545	2,976,021
Effect on cash flow due to working capital changes		
- (Increase) / decrease in stores and spare parts	(96,197)	54,694
- Decrease in stock-in-trade	176,625	470,999
- (Increase) / decrease in trade debts	(379,403)	1,166,195
- Decrease in advances, deposits prepayments and other receivables	493,065	59,247
- (Decrease) / increase in trade and other payables	(476,019)	927,624
	(281,929)	2,678,759
	1,818,616	5,654,780

	Un-audited June 30, 2012	Un-audited June 30, 2011
	(Rupees in thousand)	
12. CASH AND CASH EQUIVALENTS		
Short term borrowings	(6,036,753)	(2,610,851)
Cash and bank balances	2,097,175	336,030
	(3,939,578)	(2,274,821)

13. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the company	Nature of transaction	Un-audited January 1 to June 30, 2012 (Rupees in thousand)	2011
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	34,014	27,380
ii. Key management personnel	Salaries and other employee benefits	67,559	57,956
iii. Associated companies	Markup expense on share deposit money	14,583	16,265
	Markup income on loans to associate	-	166,735
	Markup income on loans to associated company	327,225	203,016
	Dividend income on preferences shares of associate	-	147,531
	Dividend income on preferences shares of associated company	194,067	149,170
	Processing services rendered to associate	-	27,766
	Processing services rendered to associated company	9,542	25,822
	Fertilizer purchased from associate	-	380,403
	Fertilizer purchased from associated company	13,136	76,884
	Expenses shared with associate	-	41,320
	Share of common expenses charged to associated company	212,828	77,668
	Share of common expenses charged by associated company	25,357	-
	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 June 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Period end balances		
Long term loans to associated company	4,515,565	4,515,565
Markup receivable from associated company	1,269,551	961,429
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 August 25, 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 half year ended June 30, 2012 (Un-audited)

Condensed Consolidated Interim Balance Sheet

As at June 30, 2012

	Note	Un-audited June 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		6,071,291	5,711,183
		10,571,291	10,411,183
Surplus on revaluation of operating fixed assets		11,713,636	11,942,294
NON-CURRENT LIABILITIES			
Long term finances - secured	7	6,526,335	8,672,192
Supplier's credit - secured		2,260,800	1,796,000
Liabilities against assets subject to finance lease		98,615	138,018
Long term deposits		45,595	47,345
Deferred liabilities		130,979	90,684
Deferred taxation		11,281,005	10,967,290
		20,343,329	21,711,529
CURRENT LIABILITIES			
Current portion of long term liabilities		7,004,862	6,335,181
Short term borrowings - secured		6,081,753	4,643,806
Derivative financial instruments		1,034	-
Payable to Privatization Commission of Pakistan		2,197,901	2,197,901
Trade and other payables		2,353,356	3,145,761
Accrued finance cost		567,788	677,821
Dividend payable		1,127,700	3,755,250
Provision for taxation		-	731,118
		19,334,394	21,486,838
CONTINGENCIES AND COMMITMENTS	8		
		61,962,650	65,551,844

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

Sd/-

Chief Executive

	Note	Un-audited June 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	37,783,985	38,248,373
Assets subject to finance lease		178,041	229,382
Intangible assets		150,500	161,000
Goodwill		3,305,163	3,305,163
Investments		29,007	27,349
Long term loans - unsecured		4,515,565	4,515,565
Security deposits		70,558	57,036
		46,032,819	46,543,868
CURRENT ASSETS			
Stores and spare parts		2,727,449	2,583,273
Stock-in-trade		1,952,724	2,057,363
Trade debts		1,291,232	890,573
Advances, deposits, prepayments and other receivables		5,610,650	5,302,845
Derivative financial instruments		-	18,756
Investments	10	2,241,850	7,358,830
Cash and bank balances		2,105,926	796,336
		15,929,831	19,007,976
		61,962,650	65,551,844

Sd/-
Director

Condensed Consolidated Interim Profit and Loss Account

For the Quarter and Half year ended June 30, 2012 (Un-audited)

	Note	Quarter ended		Half year ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
		(Rupees in thousand)			
Sales	11.1	3,762,674	5,037,383	5,968,809	7,299,367
Cost of sales	11.2	(2,240,568)	(2,566,001)	(3,824,406)	(3,738,891)
Gross profit		1,522,106	2,471,382	2,144,403	3,560,476
Administrative expenses		(363,616)	(248,529)	(744,743)	(449,745)
Selling and distribution expenses		(74,210)	(228,481)	(174,566)	(394,945)
		1,084,280	1,994,372	1,225,094	2,715,786
Finance cost		(694,522)	(857,982)	(1,372,367)	(1,751,270)
Other operating expenses		(99,216)	(136,532)	(89,901)	(161,229)
		290,542	999,858	(237,174)	803,287
Other operating income		707,621	523,840	1,050,373	894,959
Share of loss of associate		-	-	-	(17,612)
(Loss) / Gain on re-measurement of financial assets at fair value through profit or loss		(18,730)	731,960	(17,130)	730,380
Profit before taxation		979,433	2,255,658	796,069	2,411,014
Taxation		282,526	(655,842)	340,094	(707,364)
Profit for the period		1,261,959	1,599,816	1,136,163	1,703,650
Earnings per share in Rupees		2.80	3.56	2.52	3.79

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Consolidated Interim Statement of Comprehensive Income

For the Quarter and Half year ended June 30, 2012 (Un-audited)

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
		(Rupees in thousand)		
Profit for the period	1,261,959	1,599,816	1,136,163	1,703,650
Other comprehensive income:				
Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	175,823	-	351,645	-
Total comprehensive income for the period	1,437,782	1,599,816	1,487,808	1,703,650

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Consolidated Interim Statement of Changes in Equity

For the half year ended June 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	3,612,870	10,411,183
Profit for the period	-	-	-	1,136,163	1,136,163
Other comprehensive income for the period: Surplus on revaluation of operating fixed assets realized through incremental depreciation charged on related assets for the period	-	-	-	351,645	351,645
Total comprehensive income for the half year ended June 30, 2012	-	-	-	1,487,808	1,487,808
Share deposit money refunded	-	(200,000)	-	-	(200,000)
Specie dividend to equity holders of the company	-	-	-	(1,127,700)	(1,127,700)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(200,000)	-	(1,127,700)	(1,327,700)
Balance as on June 30, 2012 (un-audited)	4,500,000	-	2,098,313	3,972,978	10,571,291
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	-	-	-	1,703,650	1,703,650
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the half year ended June 30, 2011	-	-	-	1,703,650	1,703,650
Specie dividend to equity holders of the company	-	-	(2,897,039)	-	(2,897,039)
Total contributions by and distributions to owners of the company recognised directly in equity	-	-	(2,897,039)	-	(2,897,039)
Balance as on June 30, 2011 (un-audited)	4,500,000	200,000	2,098,313	4,256,754	11,055,067

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

Sd/-	Sd/-
Chief Executive	Director

Condensed Consolidated Interim Cash Flow Statement

For the half year ended June 30, 2012 (Un-audited)

	Note	January 1 to June 30 2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	1,730,121	5,654,780
Finance cost paid		(1,482,400)	(1,788,248)
Taxes paid		(206,886)	(497,156)
Retirement benefits paid		(18,253)	(32,542)
Long term deposits (paid)/received		(1,750)	2,474
Net cash inflow from operating activities		20,832	3,339,308
Cash flows from investing activities			
Purchase of property, plant and equipment		(276,632)	(240,974)
Profit on derivative financial instruments received		22,251	120,933
Security deposits		(15,510)	(10,715)
Sale proceeds of property, plant and equipment disposed		25,664	11,014
Investments redeemed		1,800,000	-
Profit on bank deposits received		8,628	7,246
Net cash inflow / (outflow) from investing activities		1,564,401	(112,496)
Cash flows from financing activities			
Repayment of long term finances		(3,034,543)	(1,869,960)
Proceeds from long term finances acquired		1,561,282	1,037,836
Payment of liability against mining rights		-	(52,500)
Repayment of share deposit money		(200,000)	-
Repayment of finance lease liability		(40,330)	(100,156)
Net cash outflow from financing activities		(1,713,591)	(984,780)
Net (decrease)/increase in cash and cash equivalents		(128,357)	2,242,032
Cash and cash equivalents at the beginning of the period		(3,847,470)	(4,516,853)
Cash and cash equivalents at the end of the period	13	(3,975,827)	(2,274,821)

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

Sd/-
Chief Executive

Sd/-
Director

1. LEGAL STATUS AND NATURE OF BUSINESS

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. The figures for the half year ended June 30, 2012 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, 2011.

2.2 During the current period, the parent company has changed the presentation of its Profit and Loss Account to bring it in line with the practice followed by major players of the local fertilizer industry. Previously, 'other operating income' was presented before 'finance cost'. However, as per new presentation, 'finance cost' has been presented before 'other operating income'. The presentation has been revised as in management's view, the new presentation provides reliable and more relevant information for the users of the company's financial statements as it is an improvement on the previous presentation. In accordance with the requirements of IAS 1 'Presentation of Financial Statements', comparative amounts have been reclassified in line with the new presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of this condensed consolidated 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.

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 Group's financial statements covering annual periods, beginning on or after the following dates:

3.2.1 Standards, amendments and interpretations to approved accounting standards that are effective

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 1, 2012 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in this condensed interim financial information.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in this condensed interim financial information.

4. ACCOUNTING ESTIMATES

The preparation of the condensed consolidated 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 consolidated 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 consolidated 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 (equivalent to Rs 376.8 million) with maturity in July 2012, the parent company has arranged its settlement in July 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 Group's assets and liabilities that are measured at fair value at June 30, 2012.

			Rupees in thousand	
	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Equity securities	1,114,150	-	-	1,114,150
Total assets	1,114,150	-	-	1,114,150
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 Group's assets and liabilities that are measured at fair value at December 31, 2011.

			Rupees in thousand	
	Level 1	Level 2	Level 3	Total
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	-	-	-	-

	Un-audited June 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
7. LONG TERM FINANCES - SECURED		
Opening balance	14,916,278	17,192,893
Disbursements during the period/year	1,561,282	1,625,805
	16,477,560	18,818,698
Repayments during the period/year	(3,034,543)	(3,902,420)
Closing balance	13,443,017	14,916,278
Less: Current portion shown under current liabilities	(6,916,682)	(6,244,086)
	6,526,335	8,672,192

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 354.880 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 182 million (December 31, 2011: Rs 182 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 parent 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 by the parent company. 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 the 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, parent 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 178.924 million (December 31, 2011: Rs 334.630 million).

(ii) Letters of credit other than for capital expenditure Rs 500.411 million (December 31, 2011: Rs 233.937 million).

(iii) Purchase orders aggregating Rs 77.601 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:

	Note	Un-audited June 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
Not later than one year		45,634	53,089
Later than one year and not later than five years		101,788	109,630
Later than 5 years		578	775
		148,000	163,494

9. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited June 30, 2012	Audited December 31, 2011
Operating fixed assets	9.1	37,315,317	37,643,761
Capital work-in-progress		468,668	604,612
		37,783,985	38,248,373

9.1 Operating fixed assets

	Note	Un-audited June 30, 2012	Audited December 31, 2011
Opening book value		37,643,761	21,712,407
Additions during the period/year	9.1.1	412,483	2,650,884
Revaluation during the period/year		-	14,048,486
Book value of transfers in from assets subject to finance lease		15,861	22,966
Book value of fixed assets disposed off during the period/year		(20,572)	(16,747)
Depreciation charged during the period/year		(736,216)	(774,235)
Closing book value		37,315,317	37,643,761

9.1.1 Additions during the period/year

	Un-audited June 30, 2012	Audited December 31, 2011
Buildings on freehold land	-	23,676
Plant and machinery	277,897	193,764
Aircrafts	4,303	2,273,109
Furniture and fixtures	1,141	12,034
Tools and equipment	10,304	68,969
Vehicles	3,629	22,777
Catalyst	115,210	56,555
	412,483	2,650,884

	Note	Un-audited June 30, 2012	Audited December 31, 2011
		(Rupees in thousand)	
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:			
At fair value throught profit or loss:			
Related party - quoted			
Fatima Fertilizer Company Limited			
45,000,000 (December 31, 2011: Nil) fully paid ordinary shares of Rs 10 each	10.1	1,110,150	-
Other - quoted:			
Wateen Telecom Limited			
2,000,000 (December 31, 2011: 2,000,000) fully paid ordinary shares of Rs 10 each		4,000	3,580
		1,114,150	3,603,580
Investment held for distribution to members		1,127,700	3,755,250
		2,241,850	7,358,830

10.1 These investments have been classified as current on management's intention that in the next twelve months from the balance sheet date, the parent 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 parent company.

11 SEGMENT RESULTS

		FERTILIZERS				CLEAN DEVELOPMENT MECHANISM				SACKS				TOTAL			
		Quarter ened		Half year ended		Quarter ened		Half year ended		Quarter ened		Half year ended		Quarter ened		Half year ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
		(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)			
Sales - external	11.1	3,621,438	4,779,341	5,782,095	6,711,175	141,236	258,042	186,714	588,192	-	-	-	-	3,762,674	5,037,383	5,968,809	7,299,367
Cost of sales	11.2	2,225,920	2,545,668	3,804,152	3,696,128	14,648	20,333	20,254	42,763	-	-	-	-	2,240,568	2,566,001	3,824,406	3,738,891
Gross profit		1,395,518	2,233,673	1,977,943	3,015,047	126,588	237,709	166,460	545,429	-	-	-	-	1,522,107	2,471,382	2,144,403	3,560,476
Administrative expenses		360,641	246,781	739,822	446,452	2,139	1,748	2,794	3,293	836	-	2,127	-	363,616	248,529	744,743	449,745
Selling and distribution expenses		52,345	171,593	144,853	271,021	21,865	56,888	29,713	123,924	-	-	-	-	74,210	228,481	174,566	394,945
		412,986	418,374	884,675	717,473	24,004	58,636	32,507	127,217	836	-	2,127	-	437,826	477,010	919,309	844,690
Segment results		982,532	1,815,299	1,093,268	2,297,574	102,584	179,073	133,953	418,212	(836)	-	(2,127)	-	1,084,280	1,994,372	1,225,094	2,715,786
Finance cost																(1,372,367)	(1,751,270)
Other operating expenses																(89,901)	(161,229)
																(237,174)	803,287
Other operating income																1,050,373	894,959
Share of loss of associate																-	(17,612)
Gain on re-measurement of financial assets at fair value through profit or loss																(17,130)	730,380
Profit before taxation																796,069	2,411,014
Taxation																340,094	(707,364)
Profit for the period																1,136,163	1,703,650

	FERTILIZERS				CLEAN DEVELOPMENT MECHANISM				SACKS				TOTAL			
	Quarter ened		Half year ended		Quarter ened		Half year ended		Quarter ened		Half year ended		Quarter ened		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)			
11.1 SALES EXTERNAL																
Fertilizer products:																
- Own manufactured	3,550,314	4,025,921	5,643,867	5,886,725	-	-	-	-	-	-	-	-	3,550,314	4,025,921	5,643,867	5,886,725
- Purchased for resale	-	534,724	13,136	534,724	-	-	-	-	-	-	-	-	-	534,724	13,136	534,724
Certified Emission Reductions	-	-	-	-	141,236	258,042	186,714	588,192	-	-	-	-	141,236	258,042	186,714	588,192
Mid products	225,140	173,202	305,041	230,269	-	-	-	-	-	-	-	-	225,140	173,202	305,041	230,269
	3,775,454	4,733,847	5,962,044	6,651,718	141,236	258,042	186,714	588,192	-	-	-	-	3,916,690	4,991,889	6,148,758	7,239,910
Less:																
Sales incentive	176,502	(7,482)	213,963	39,279	-	-	-	-	-	-	-	-	176,502	(7,482)	213,963	39,279
Discount	-	-	-	1,227	-	-	-	-	-	-	-	-	-	-	-	1,227
	176,502	(7,482)	213,963	40,506	-	-	-	-	-	-	-	-	176,502	(7,482)	213,963	40,506
Rock phosphate	22,486	12,189	24,472	46,374	-	-	-	-	-	-	-	-	22,486	12,189	24,472	46,374
Processing income	-	25,822	9,542	53,588	-	-	-	-	-	-	-	-	-	25,822	9,542	53,588
	3,621,438	4,779,341	5,782,095	6,711,175	141,236	258,042	186,714	588,192	-	-	-	-	3,762,674	5,037,383	5,968,809	7,299,367

	FERTILIZERS				CLEAN DEVELOPMENT MECHANISM				SACKS				TOTAL			
	Quarter ened		Half year ended		Quarter ened		Half year ended		Quarter ened		Half year ended		Quarter ened		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)				(Rupees in thousand)			
11.2 COST OF SALES																
Raw material consumed	1,102,050	644,155	1,464,897	1,173,283	3,827	1,242	5,328	2,321	-	-	-	-	1,105,877	645,397	1,470,225	1,175,604
Packing material consumed	54,550	66,852	69,469	110,837	-	-	-	-	-	-	-	-	54,550	66,852	69,469	110,837
	1,156,600	711,007	1,534,366	1,284,120	3,827	1,242	5,328	2,321	-	-	-	-	1,160,427	712,249	1,539,694	1,286,441
Salaries, wages and other benefits	144,366	177,142	341,095	361,064	1,686	1,607	3,418	3,092	-	-	-	-	146,052	178,749	344,513	364,156
Fuel and power	271,927	242,012	456,419	481,787	1,221	1,077	2,247	2,093	-	-	-	-	273,148	243,089	458,666	483,880
Chemicals and catalysts consumed	81,540	73,481	122,915	142,881	-	-	-	-	-	-	-	-	81,540	73,481	122,915	142,881
Spare parts consumed	17,487	62,211	133,616	178,724	991	4,359	1,160	4,363	-	-	-	-	18,478	66,570	134,776	183,087
Stores consumed	8,272	7,765	42,600	67,331	140	43	1,106	1,518	-	-	-	-	8,412	7,808	43,706	68,849
Repairs and maintenance	44,120	36,906	64,201	53,249	3	364	8	612	-	-	-	-	44,123	37,270	64,209	53,861
Insurance	66,782	54,729	126,950	110,700	784	600	1,514	1,197	-	-	-	-	67,566	55,329	128,464	111,897
Depreciation on operating fixed assets	192,793	125,489	390,851	231,832	7,695	647	15,391	4,161	-	-	-	-	200,488	126,136	406,242	235,993
Depreciation on assets subject to finance lease	4,105	(5,573)	8,424	1,072	-	-	-	-	-	-	-	-	4,105	(5,573)	8,424	1,072
Amortization on intangible assets	5,250	(5,587)	10,500	-	-	-	-	-	-	-	-	-	5,250	(5,587)	10,500	-
Others	13,738	26,100	31,278	51,865	2,941	4,330	6,444	8,926	-	-	-	-	16,679	30,430	37,722	60,791
	2,006,980	1,505,682	3,263,215	2,964,625	19,288	14,269	36,616	28,283	-	-	-	-	2,026,268	1,519,951	3,299,831	2,992,908
Opening stock of mid products	43,650	16,843	16,964	17,368	-	-	-	-	-	-	-	-	43,650	16,843	16,964	17,368
Closing stock of mid products	(38,256)	(21,952)	(38,256)	(21,952)	-	-	-	-	-	-	-	-	(38,256)	(21,952)	(38,256)	(21,952)
	5,394	(5,109)	(21,292)	(4,584)	-	-	-	-	-	-	-	-	5,394	(5,109)	(21,292)	(4,584)
Cost of goods manufactured	2,012,374	1,500,573	3,241,923	2,960,041	19,288	14,269	36,616	28,283	-	-	-	-	2,031,662	1,514,842	3,278,539	2,988,324
Opening stock of finished goods	451,521	671,050	788,873	362,042	26,083	12,518	14,361	20,934	-	-	-	-	477,604	683,568	803,234	382,976
Closing stock of finished goods	(237,975)	(98,118)	(237,975)	(98,118)	(30,723)	(6,454)	(30,723)	(6,454)	-	-	-	-	(268,698)	(104,572)	(268,698)	(104,572)
	213,546	572,932	550,898	263,924	(4,640)	6,064	(16,362)	14,480	-	-	-	-	208,906	578,996	534,536	278,404
Cost of sales - own manufactured	2,225,920	2,073,505	3,792,821	3,223,965	14,648	20,333	20,254	42,763	-	-	-	-	2,240,568	2,093,838	3,813,075	3,266,728
Cost of sales - purchased for resale	-	472,163	11,331	472,163	-	-	-	-	-	-	-	-	-	472,163	11,331	472,163
	2,225,920	2,545,668	3,804,152	3,696,128	14,648	20,333	20,254	42,763	-	-	-	-	2,240,568	2,566,001	3,824,406	3,738,891

	Un-audited	
	Jaunary 1 to June 30	
	2012	2011
	(Rupees in thousand)	
12. CASH GENERATED FROM OPERATION		
Profit before taxation	796,069	2,411,014
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets	736,216	304,608
Depreciation on assets subject to finance lease	35,480	45,655
Amortization on intangible assets	10,500	11,174
Retirement benefits accrued	58,548	30,306
Profit on disposal of operating fixed assets	(5,150)	(4,090)
Unrealised gain on loss of significant influence over associate	(455,400)	-
Finance cost	1,372,367	1,756,371
Income on bank deposits	(8,628)	(7,457)
Unrealised income on investment held to maturity	(1,657)	(1,469)
Unrealised loss/(gain) on re-measurement of investments	17,130	(730,380)
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)	(296,701)
Share of loss of associate	-	17,612
Interest income on loans to related party	(327,225)	(369,751)
Exchange loss	66,744	5,101
Loss / (Gain) on derivative financial instruments	(2,461)	(81,887)
Profit before working capital changes	2,098,465	2,976,021
Effect on cash flow due to working capital changes		
(Increase) / decrease in stores and spare parts	(97,358)	54,694
Decrease in stock-in-trade	57,913	470,999
(Increase) / decrease in trade debts	(379,403)	1,166,195
Decrease in advances, deposits	-	
prepayments and other receivables	466,107	59,247
(Decrease) / increase in trade and other payables	(415,603)	927,624
	(368,344)	2,678,759
	1,730,121	5,654,780

	Un-audited June 30, 2012	Un-audited June 30, 2011
	(Rupees in thousand)	
13. CASH AND CASH EQUIVALENTS		
Short term borrowings	(6,081,753)	(2,610,851)
Cash and bank balances	2,105,926	336,030
	(3,975,827)	(2,274,821)

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the company	Nature of transaction	Un-audited January 1 to June 30, 2012 (Rupees in thousand)	2011
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	34,014	27,380
ii. Key management personnel	Salaries and other employee benefits	67,559	57,956
iii. Associated companies	Markup expense on share deposit money	14,583	16,265
	Markup income on loans to associate	-	166,735
	Markup income on loans to associated company	327,225	203,016
	Dividend income on preferences shares of associate	-	147,531
	Dividend income on preferences shares of associated company	194,067	149,170
	Processing services rendered to associate	-	27,766
	Processing services rendered to associated company	9,542	25,822
	Fertilizer purchased from associate	-	380,403
	Fertilizer purchased from associated company	13,136	76,884
	Expenses shared with associate	-	41,320
	Share of common expenses charged to associated company	212,828	77,668
	Share of common expenses charged by associated company	25,357	-
	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 December 31, 2011
	(Rupees in thousand)	
Period end balances		
Long term loans to associated company	4,515,565	4,515,565
Markup receivable from associated company	1,269,551	961,429
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 and short term loans to associated company.

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 25, 2012 by the Board of Directors of the parent 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.

Sd/-
Chief Executive

Sd/-
Director

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