Quarterly Report

for the period ended March 31, 2011

Ample supply through balanced nutrients

pakarab
FERTILIZERS LIMITED

Contents

Company Infomration

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

Key Management

Mr. M. Abad Khan
Advisor to CEO

Mr. Qadeer Ahmed Khan
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Tanvir H. Qureshi
Group Head of Human Resources

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

Company Secretary

Mr. Ausaf Ali Qureshi

Chief Financial Officer

Mr. Arif Hamid Dar

Legal Advisors

M/s. Chima & Ibrahim
Advocates

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

Auditors

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

TFCs & PPTFCs Registrar

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

Bankers

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
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.
Ph # 021-2855444-5
Fax # 021-2855446

Plant Site

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

Directors' Report to the Members

Dear Shareholders,

On behalf of the Board of Directors of Pakarab Fertilizers Limited, I am pleased to present the un-audited financial statements of the Company for the first quarter ended March 31, 2011.

Financial Review

For the quarter ended March 31, 2011 your company earned a pre-tax profit of Rs. 155,356 thousands and after tax profit of Rs. 103,834 thousands as against pre-tax profit of Rs. 88,177 thousands (Restated) and after tax profit of Rs. 66,177 thousands (Restated) for the quarter ended March 31, 2010. The gross margins from fertilizers sales in the current quarter are better than corresponding period last year however, limited availability of fertilizers stocks due to natural gas crisis in the country curbed the company's potential to record higher sales therefore, gross profit in rupee terms remained lower. Revenue from CERs remained almost at the same level during the period under review. Admin, selling and general expenses have increased compared to the corresponding period last year due to general inflationary trend in the economy. Besides increase in expenses other income, which mainly comprise of interest and dividend income, has also trebled.

Summary of financial results for the quarter ended March 31, 2011 & 2010 is given below:-

	For the quarter ended	
	March 31, 2011	March 31, 2010 Restated
	(Rupees in million)	
Sales (Rs. in millions)	2,262	2,672
Gross Profit (%)	48	44
Profit before tax to sales (%)	5	3
EBITDA (Rs. in millions)	1,229	1,083
EBITDA Per Share (Rupees)	2.73	2.41
Earnings Per Share (Rupees)	0.23	0.15
Breakup value per share (Rupees)	26.51	38.64

Production Review

Production of CAN, NP and Urea were lower by 31.05%, 35.76% and 37.53% respectively as compared to the corresponding period last year mainly due to stoppages and periodic curtailment of gas supply.

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

Products	Jan. 11 to Mar. 11		Jan. 10 to Mar. 10		Variance	
	Product M. Ton	Product N. Ton	Product M. Ton	Product N. Ton	Product M. Ton	Product N. Ton
Calcium Ammonium Nitrate (CAN)	42,515	11,054	61,660	16,032	(19,145)	(4,978)
Nitro Phosphate (NP)	35,584	14,945	55,395	23,266	(19,811)	(8,321)
Urea	4,209	1,936	11,215	5,159	(7,006)	(3,223)
Total	82,308	27,935	128,270	44,457	(45,962)	(16,522)

Sales Review

Demand during kharif remained strong on the back of renewed sowing of wheat post the floods of 2010. The continued buoyancy in international Phosphate prices attracted investment by the trade as prices rose steadily during the season. The rumour of GST imposition further spurred investment by the dealers in all products. Despite the positive market scenario sales of all the products were seriously hampered by unprecedented gas curtailment during the first quarter. CAN fertilizer in quantitative term decreased by 25.93% and NP and Urea sales decreased by 44.39% and 74.5% respectively as compared to corresponding period of last year.

CAN sales drop over last year was lesser on account of availability of stock at the start of the year whereas no opening inventory was available for NP and Urea. GST was imposed by the Government on 15th March at 17%. The reaction from both the agriculture sector and the Industry has been conveyed to the Government that this will be detrimental to the main sector of the economy leading to inflation and perhaps lower use of fertilizers, impacting productivity.

The sales figures were as follows:

Products	Jan. 11 to Mar. 11		Jan. 10 to Mar. 10		Variance	
	Product M. Ton	Product N. Ton	Product M. Ton	Product N. Ton	Product M. Ton	Product N. Ton
Calcium Ammonium Nitrate (CAN)	58,869	15,306	79,482	20,665	(20,613)	(5,359)
Nitro Phosphate (NP)	21,360	8,971	38,413	16,134	(17,053)	(7,163)
Urea	2,119	975	8,322	3,828	(6,203)	(2,853)
Total	82,348	25,252	126,217	40,627	(43,869)	(15,375)

Near Future Outlook

Going forward the demand for nitrogen is forecasted to remain stable with the early sowing of cotton and predictions of a high target for cotton over all. However the prices of DAP and other phosphates have surged dramatically reducing the forecast for DAP to 480kt for Kharif. The continued issue of gas curtailment however is raising a specter of possible supply issues in Urea. However despite the external constraints your Company continues to steadily build capability and strength to reach out to the farmers to educate and guide them keeping in view their needs.

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

On behalf of the Board

Karachi
April 29, 2011

Arif Habib
Chairman

Condensed Interim Balance Sheet
As at March 31, 2011

	Note	Un-audited March 2011	Audited December 2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 1,000,000,000 (2010: 1,000,000,000) ordinary share of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital 450,000,000 (2010: 450,000,000) ordinary share 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		2,656,938	2,553,104
		9,455,251	12,248,456
Surplus on revaluation of property, plant and equipment		2,475,847	2,475,847
NON-CURRENT LIABILITIES			
Long Term Finances - secured	5	13,273,987	13,371,890
Liabilities against assets subject to finance lease		200,546	217,379
Long term deposits		44,639	44,031
Deferred liabilities		64,227	57,366
Deferred taxation		5,606,357	5,574,152
		19,189,756	19,264,818
CURRENT LIABILITIES			
Current portion of long term liabilities		4,004,851	4,008,533
Short term borrowings - secured		5,370,619	4,702,528
Payable to privatization commission of Pakistan		2,197,901	2,197,901
Dividend payable		2,897,039	–
Trade and other payables		4,788,684	4,458,237
Accrued financial cost		823,424	650,151
Provision for taxation		437,917	630,936
		20,520,435	16,648,286
CONTINGENCIES AND COMMITMENTS	6	–	–
		51,641,289	50,637,407

The annexed notes 1 to 18 form an integral part of these financial statements.

Sd/-

Chief Executive

	Note	Un-audited March 2011	Audited December 2010
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	22,113,625	21,916,392
Assets subject to finance lease		262,990	282,714
Intangibles		177,760	183,347
Goodwill		3,305,163	3,305,163
Investments	8	2,922,054	2,930,231
Long term loans - unsecured	9	4,515,565	4,515,565
Security deposits		48,443	45,018
		33,345,600	33,178,430
CURRENT ASSETS			
Stores and spare parts		2,270,333	2,309,564
Stock-in-trade		3,785,437	2,946,995
Trade debts		1,293,862	1,850,695
Advances, deposits, prepayments and other receivables		4,171,931	3,582,964
Derivative financial instrument		120,930	69,958
Investments	10	6,502,739	6,513,126
Cash and bank balances		150,457	185,675
		18,295,689	17,458,977
		51,641,289	50,637,407

Sd/-

Director

Condensed Interim Profit and Loss Account (Un-audited)

For the three months ended March 31, 2011

	Note	For the quarter ended March 2011	Restated March 2010
		(Rupees in thousand)	
Sales	13	2,261,984	2,672,057
Cost of sales	13	(1,172,890)	(1,494,914)
Gross profit		1,089,094	1,177,143
Administrative expenses		(201,216)	(178,464)
Selling and distribution expenses		(166,464)	(124,534)
Other operating expenses		(19,596)	(9,677)
Other operating income		371,119	118,174
Profit from operations		1,072,937	982,642
Finance cost		(898,389)	(840,465)
Share of loss from associated company		(17,612)	
Loss on re-measurement of financial assets at fair value through profit or loss		(1,580)	(54,000)
Profit before taxation		155,356	88,177
Taxation		(51,522)	(22,000)
Profit for the period		103,834	66,177
Earning per share in Rupees	14	0.23	0.15

The annexed notes 1 to 18 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months ended March 31, 2011

	For the quarter ended	
		Restated
	March 2011	March 2010
	(Rupees in thousand)	
Profit after taxation	103,834	66,177
Other comprehensive income	–	–
Total comprehensive income	103,834	66,177

The annexed notes 1 to 18 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

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

For the three months ended March 31, 2011

(Rupees In Thousand)

	Share capital	General reserve	Share deposit money	Un-appropriated profit	Total
Balance as on December 31, 2009	4,500,000	4,995,352	200,000	5,152,449	14,847,801
Total comprehensive income for the period (Restated)	–	–	–	66,177	66,177
Balance as on March 31, 2010	4,500,000	4,995,352	200,000	5,218,626	14,913,978
Specie dividend	–	–	–	(5,831,307)	(5,831,307)
Total comprehensive income for the period	–	–	–	3,165,785	3,165,785
Balance as on December 31, 2010	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 period	–	–	–	103,834	103,834
Balance as on March 31, 2011	4,500,000	2,098,313	200,000	2,656,938	9,455,251

The annexed notes 1 to 18 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the three months ended March 31, 2011

	Note	For the quarter ended March 2011	Restated March 2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	707,835	759,601
Finance cost paid		(725,116)	(967,240)
Taxes paid		(212,336)	(36,587)
Retirement benefits paid		(6,103)	(6,541)
Long term deposits		606	6,163
Net cash outflow from operating activities		(235,114)	(244,604)
Cash flows from investing activities			
Purchase of property, plant and equipment		(340,845)	(227,734)
Security deposits		(3,425)	(11,793)
Long term loans to related party		–	(580,503)
Profit on bank deposits		672	1,466
Net cash outflow from investing activities		(343,598)	(818,564)
Cash flows from financing activities			
Repayment of redeemable capital		(500,000)	(1,000)
Payment of long term loans		(49,664)	–
Proceeds of long term loans		500,000	998,768
Payment of liability against mining rights		(52,500)	–
Lease finance payment		(22,433)	(14,335)
Net cash inflow / (outflow) from financing activities		(124,597)	983,433
Net decrease in cash & cash equivalents		(703,309)	(79,735)
Cash and cash equivalents at beginning of the period		(4,516,853)	(5,320,705)
Cash and cash equivalents at the end of the period	12	(5,220,162)	(5,400,440)

The annexed notes 1 to 18 form an integral part of these financial statements.

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 at the Karachi Stock Exchange (Guarantee) Limited (KSE). It is principally engaged in the manufacturing and sale of chemical fertilizers and generation and sale of Certified Emission Reductions (CERs). 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 as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' . They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended December 31, 2010. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended December 31, 2010 whereas comparative profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial statements for the period ended March 31, 2010.

3. BASIS OF MEASUREMENT AND ESTIMATES

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

This condensed interim financial information requires the management to make difficult, subjective or complex judgments or estimates. It is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The significant judgments and estimates made by the management in applying the company's accounting policies were the same as those applied to the audited financial statements for the year ended 31-12-2010.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of audited financial statements for the period ended 31-12-2010

	Note	Un-Audited March 2011	Audited December 2010
		(Rupees in thousand)	
5. LONG TERM FINANCES - SECURED			
Total long term financing - secured	5.1	17,143,229	17,192,893
Less: Amount payable within twelve months shown as current maturity		3,869,242	3,821,003
		13,273,987	13,371,890
5.1 Movement in this account during the period / year is as follows:			
Opening balance:			
Redeemable capital		11,200,000	11,497,000
Long term loans		3,955,393	3,832,462
Syndicated term finance		2,037,500	2,037,500
		17,192,893	17,366,962
Disbursements during the period / year:			
Redeemable capital		–	–
Long term loans		500,000	1,066,201
Syndicated term finance		–	–
		500,000	1,066,201
Repayments during the period / year:			
Redeemable capital		500,000	297,000
Long term loans		49,664	943,270
Syndicated term finance		–	–
		549,664	1,240,270
Closing balance:			
Redeemable capital		10,700,000	11,200,000
Long term loans		4,405,729	3,955,393
Syndicated term finance		2,037,500	2,037,500
		17,143,229	17,192,893

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

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

(ii) The company has issued following guarantees in favour of:
Sui Northern Gas Pipelines Limited against gas sale amounting to Rs 8.846 million (December 31, 2010: Rs 8.846 million).

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

(iii) Indemnity bonds aggregating Rs 166.490 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 not provided for in these financial statements, furnished by the Company in favour of the Collector of Customs to cover import levies against import of plant & machinery aggregating to Rs. 4.320 million (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) The amount of Rs 129.169 million was withdrawn by the previous members of the Company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement. Out of the aggregate amount, Rs 89.39 million represents the value of certain catalysts recovered in consequence of clean down operations of the plant prior to undertaking the process of privatization, which was accounted for as income in the financial statements for the year ended June 30, 2005 in the light of applicable financial reporting framework. The management of the Company feels that notwithstanding the applicability of the financial reporting framework, on the financial statements for the year ended June 30, 2005, the amount was not distributable as part of dividend for that year in view of the clear understanding behind the execution of the Agreement as categorically confirmed, in writing, by the Privatization Commission prior to signing of the Agreement. Similarly, the balance amount of Rs 39.779 million is considered to be dividend distribution out of the then available reserves which was also not distributable to the previous members in terms of other covenants of the Agreement.

The Company has filed a claim for the recovery of the aforesaid aggregate amount on the grounds that in the present form, the distribution has been made out of the accumulated reserves, for the years up to 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) The Deputy Commissioner Inland Revenue ('DCIR'), through an order passed under sections 122 and 182 of the Income Tax Ordinance, 2001 ('Ordinance'), raised a demand of Rs 451.418 million, including penalty of Rs 169.196 million, for tax year 2006 by disallowing certain expenses and adding into income amount representing 'service charges'. The company has preferred an appeal before The Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the order of the DCIR, which is pending adjudication. While, an amount of Rs 174.958 million has been recognized in the financial statements as an expense against the subject demand, since the company's management considers that there exists meritorious grounds to defend the company's stance in respect of issues underlying the remaining amount of demand, no provision in respect thereof has been made in these financial statements.

(viii) 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 these financial statements.

(ix) 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 these financial statements.

(x) Included in sales of mid products is an amount of 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, such amount of sales and trade debts have not been reversed.

(xi) Claims against the company not acknowledged as debts Rs 23.051 million (December 31, 2010: Rs. 23.051 million)

6.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 274.797 million (December 31, 2010: Rs 416.697 million).

(ii) Letters of credit other than for capital expenditure Rs 441.120 million (December 31, 2010: Rs 894.892 million).

(iii) Purchase orders aggregating Rs 4.780 million (December 31, 2010: Rs 3.940 million) were placed and letters of credit were established subsequently.

		Note	Un-Audited March 2011	Audited December 2010
			(Rupees in thousand)	
7.	**PROPERTY, PLANT & EQUIPMENT**			
	Operating fixed assets	7.1	21,619,136	21,712,407
	Capital work–in–progress		494,489	203,985
			22,113,625	21,916,392
7.1	**Operating fixed assets**			
	Opening book value		21,712,407	20,585,253
	Additions during the period	7.1.1	56,519	1,739,025
			21,768,926	22,324,278
	Book value of fixed assets disposed off during the period		–	17,647
	Depreciation charged during the period		149,790	594,224
	Closing book value		21,619,136	21,712,407
7.1.1	**Additions during the period:**			
	Building		–	22,050
	Plant and machinery		–	1,514,584
	Furniture and fixtures		–	57,869
	Tools and equipment		–	64,411
	Vehicles		–	70,500
	Catalyst		56,519	9,611
			56,519	1,739,025
8	**INVESTMENTS**			
	Associated company – quoted:			
	Fatima Fertilizer Company Limited 225,000,000 (2010: 450,000,000) Fully paid ordinary shares of Rs 10 each Equity held 11.25% (2010: 22.50%) Market value Rs. 3,011 Million (2010: Rs. 5,076 million)	8.1	2,897,039	5,811,691
	Less: Classified under current assets – NIL (2010: 225,000,000 fully paid ordinary shares of Rs 10 each)		–	2,905,846
			2,897,039	2,905,845
	Held to maturity:			
	Others	8.2	25,015	24,386
			2,922,054	2,930,231

	Note	Un-Audited March 2011	Audited December 2010
		(Rupees in thousand)	
8.1 Investment in associate – quoted			
Investment in Fatima (associated company)		2,905,845	11,682,000
Divestment during the period through distribution as 'specie dividend'		–	(5,831,307)
		2,905,845	5,850,693
Share of loss of associate		(8,806)	(39,002)
		2,897,039	5,811,691

8.2 This represents investment in Defence Saving Certificates for a period of ten years, which will mature on September 11, 2019. Yield to maturity on these certificates is 12.15%. These certificates have been pledged as security with the Director General, Mines & Minerals, Government of Khyber–Pakhtoonkhwa as per the terms of the mining agreement.

9 LONG TERM LOANS TO ASSOCIATED COMPANY

	Note	Un-Audited March 2011	Audited December 2010
Long Term Loan (from STFF)	9.1	2,037,500	2,037,500
Subordinated Loan	9.2	2,478,065	2,478,065
		4,515,565	4,515,565

9.1 This represents unsecured loan provided to FATIMA, an associated company, from the proceeds of the syndicated term finance facility (STFF), for the purpose of project financing. The repayment of this loan is not to exceed the repayment amount of the syndicated loan (Senior Facility), Commercial Facility and New Facility of FATIMA by more than 6.45% of the principal component of such facilities' repayments. Till such time as the company is obligated to make repayment of the STFF, the loan carries markup at the rate of six months KIBOR plus 2.5% per annum, with no floor and no cap, payable semi-annually, on outstanding balance of such loan. Subsequently, the loan will carry markup at the rate of average borrowing cost of the company.

9.2 This represents unsecured loan to FATIMA, an associated company, for the purpose of project financing. The rate of mark up is equal to the average borrowing cost of the company. The loan is repayable by Fatima, when the aggregate outstanding amounts of FATIMA under the Senior Facility, Commercial Facility, New Facility and security agreements between Fatima and the financial institutions, is less than Rs 23,000 million.

	Note	Un-Audited March 2011	Audited December 2010
		(Rupees in thousand)	
10 INVESTMENTS			
At fair value through profit or loss:			
Other - Wateen Telecom Limited		5,700	7,280
Available for sale:			
Associated company - quoted:			
Fatima Fertilizer Company Limited			
360,000,000 (2010: 360,000,000) unquoted			
fully paid non-voting convertible			
cumulative preference shares of Rs 10 each.			
Extent of preference shares held 90%	10.1	3,600,000	3,600,000
		3,605,700	3,607,280
Classified from non-current investments	10.2	2,897,039	2,905,846
		6,502,739	6,513,126

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.

	Un-Audited March 2011	Audited December 2010
10.2 Classified from non-current investments	2,905,846	2,905,846
Less: Share of loss from associated company	(8,807)	–
	2,897,039	2,905,846

This investment has been earmarked for distribution as 'specie dividend' hence classified as current.

	For the quarter ended Un-Audited March 2011	Restated March 2010
	(Rupees in thousand)	
11 CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	155,356	88,177
Adjustments for:		
Depreciation on operating fixed assets	149,944	137,526
Depreciation on leased assets	19,570	10,907
Amortization on intangibles	5,587	5,587
Retirement benefits accrued	13,187	8,861
Finance cost	898,389	840,465
Provisions and unclaimed balances written back	–	(3,973)
Profit on bank deposits	(672)	(1,466)
Interest income on long term loans to associated company	(167,365)	(91,687)
Unrealized loss / (gain) on re–measurement of investments	–	54,000
Unrealized gain on investment held to maturity	(629)	–
Loss on investments	19,192	–
Operating profit before working capital changes	1,092,559	1,048,397
Effect on cash flow due to working capital changes		
Decrease/(Increase) in stores and spare parts	39,232	23,578
Decrease/(Increase) in stock in trade	(838,444)	(400,258)
Decrease/(increase) in trade debts	556,833	(186,452)
Decrease /(Increase) in advances, deposits, prepayments and other receivables	(472,573)	127,487
(Decrease)/Increase in creditors, accrued and other liabilities	330,228	146,849
	(384,724)	(288,796)
Cash generated from operations	707,835	759,601
12 CASH AND CASH EQUIVALENTS		
Finances under mark up arrangement	(5,370,619)	(5,523,696)
Cash and bank balances	150,457	123,256
	(5,220,162)	(5,400,440)

NOTE

13 SEGMENT RESULTS

	FERTILIZERS		CLEAN DEVELOPMENT MECHANISM		TOTAL	
	FOR THE THREE MONTHS PERIOD ENDED		FOR THE THREE MONTHS PERIOD ENDED		FOR THE THREE MONTHS PERIOD ENDED	
	March 2011	Restated March 2010	March 2011	Restated March 2010	March 2011	Restated March 2010
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Sale	1,931,834	2,399,303	330,150	272,754	2,261,984	2,672,057
Cost of sale	(1,150,460)	(1,482,460)	(22,430)	(12,454)	(1,172,890)	(1,494,914)
Gross profit	781,374	916,843	307,720	260,300	1,089,094	1,177,143
Administrative expenses	(199,671)	(175,691)	(1,545)	(2,773)	(201,216)	(178,464)
Selling and distribution expenses	(99,428)	(89,575)	(67,036)	(34,959)	(166,464)	(124,534)
	(299,099)	(265,266)	(68,581)	(37,732)	(367,680)	(302,998)
Segment results	482,275	651,577	239,139	222,568	721,414	874,145
Other operating expense					(19,596)	(9,677)
Other operating income					371,119	118,174
Profit from operations					1,072,937	982,642
Finance cost					(898,389)	(840,465)
Share of loss of associated company					(17,612)	–
Loss on re–measurement of financial asset at fair value through profit or loss					(1,580)	(54,000)
Taxation					(51,522)	(22,000)
					103,834	66,177

NOTE	FERTILIZERS		CLEAN DEVELOPMENT MECHANISM		TOTAL	
	FOR THE THREE MONTHS PERIOD ENDED		FOR THE THREE MONTHS PERIOD ENDED		FOR THE THREE MONTHS PERIOD ENDED	
	March 2011	Restated March 2010	March 2011	Restated March 2010	March 2011	Restated March 2010
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
13.1 Sales						
– Own manufactured	1,860,804	2,350,960	330,150	272,754	2,190,954	2,623,714
– Mid products	57,067	51,284	–	–	57,067	51,284
– Rock phosphate	34,185	–	–	–	34,185	–
– Processing income	27,766	–	–	–	27,766	–
	1,979,822	2,402,244	330,150	272,754	2,309,972	2,674,998
Less:						
Sales incentive	46,761	–	–	–	46,761	–
Discount	1,227	2,941	–	–	1,227	2,941
	47,988	2,941	–	–	47,988	2,941
	1,931,834	2,399,303	330,150	272,754	2,261,984	2,672,057

NOTE	FERTILIZERS		CLEAN DEVELOPMENT MECHANISM		TOTAL	
	FOR THE THREE MONTHS PERIOD ENDED		FOR THE THREE MONTHS PERIOD ENDED		FOR THE THREE MONTHS PERIOD ENDED	
		Restated		Restated		Restated
	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
13.2 COST OF GOODS SOLD						
Raw material consumed	529,128	807,086	1,079	1,595	530,207	808,681
Packing material consumed	43,985	48,874	–	–	43,985	48,874
	573,113	855,960	1,079	1,595	574,192	857,555
Salaries, wages and other benefits	183,922	179,174	1,485	1,324	185,407	180,498
Fuel and power	239,775	295,255	1,016	1,148	240,791	296,403
Chemicals and catalysts consumed	69,400	87,648	–	–	69,400	87,648
Spare parts consumed	116,513	117,333	4	4,002	116,517	121,335
Stores consumed	59,566	48,089	1,475	677	61,041	48,766
Repairs and maintenance	16,343	19,180	248	64	16,591	19,244
Insurance	55,971	52,353	597	940	56,568	53,293
Depreciation on operating fixed assets	106,343	97,974	3,514	2,006	109,857	99,980
Depreciation on assets subject to finance lease	6,645	5,165	–	–	6,645	5,165
Amortization on intangible assets	5,587	5,587	–	–	5,587	5,587
Other expenses	25,765	12,792	4,596	2,010	30,361	14,802
	1,458,943	1,776,510	14,014	13,766	1,472,957	1,790,276
Opening stock of mid products	17,368	12,153	–	–	17,368	12,153
Closing stock of mid products	(16,843)	(37,442)	–	–	(16,843)	(37,442)
	525	(25,289)	–	–	525	(25,289)
	1,459,468	1,751,221	14,014	13,766	1,473,482	1,764,987
Opening stock of finished goods manufactured	362,042	462,643	20,934	8,445	382,976	471,088
Closing stock of finished goods manufactured	(671,050)	(731,404)	(12,518)	(9,757)	(683,568)	(741,161)
	(309,008)	(268,761)	8,416	(1,312)	(300,592)	(270,073)
	1,150,460	1,482,460	22,430	12,454	1,172,890	1,494,914

14 EARNING PER SHARE

14.1 Basic earnings per share

There is no dilutive effect on the basic earning per share of the company, which is based on:

		For the quarter ended Un-Audited	
		March 2011	Restated March 2010
		(Rupees in thousand)	
Profit after taxation	Rupees "000"	103,834	66,177
Number of ordinary shares		450,000	450,000
Earning per share in Rupees		0.23	0.15

14.2 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 March 31, 2011 and March 31, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

15 TRANSACTIONS WITH RELATED PARTIES:

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

		For the quarter ended Un-Audited	
Relationship with the company	Nature of transaction	March 2011	Restated March 2010
		(Rupees in thousand)	
i. Post employment benefit plan:	Expense charged in respect of retirement benefit plan	14,515	9,731
ii. Key management personnel:	"Remuneration including benefits and perquisites of chief executive and other executives."	172,679	130,864
iii. Associated companies :	Markup expense on share deposit money	7,940	6,747
	Markup income on loan to associated company	166,735	91,987
	Dividend income on loan to associated company	147,531	–
	Purchase of goods & services	380,403	6,939
	Sale of goods & services	27,766	–
	Office rent	1,848	–

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

		March 2011	Audited December 2010
		(Rupees in thousand)	
16	**Period end balances**		
	Receivable from related parties	1,217,191	785,342
	Payable to related parties	5,061	22,584

17 Date of authorization for issue

This condensed interim financial information was authorized for issue on April 29, 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.

Sd/-
Chief Executive

Sd/-
Director

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