Quarterly Report for the first quarter ended March 31, 2012

Committed to transparent and sustainable growth

pakarab
FERTILIZERS LIMITED

Contents

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

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

Audit Committee

Mr. Nasim Beg
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Rehman Naseem
Member

Mr. Muhammad Kashif Habib
Member

Human Resource and Remuneration Committee

Mr. Nasim Beg
Chairman

Mr. Abdus Samad
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Rehman Naseem
Member

Company Secretary

Mr. Ausaf Ali Qureshi

Chief Financial Officer

Mr. Arif Hamid Dar

Key Management

Mr. M. Abad Khan
Advisor to CEO

Mr. Qadeer Ahmed Khan
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Asad Murad
Head of Internal Audit

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Shahid Saeed
Head of Information Technology

Mr. Javed Akbar
Head of Procurement

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

Mr. Muhammad Saleem Zafar
General Manager Projects

Legal Advisors

M/s. Chima & Ibrahim
Advocates

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

Auditors

A. F. Ferguson & Co.,
Chartered Accountants

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

Bankers

Allied Bank Limited
Al–Baraka Islamic Bank Limited
Askari Bank Limited
BankIslami Pakistan Limited
Bank Alfalah Limited
Dubai Islamic Bank Limited
Deutsche Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pakoman Investment Company Limited
Pakistan Kuwait Investment Company (Private) Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Soneri Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

Registered / Head Office

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

Karachi Office

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

Plant Site

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

Directors' Report to the Members

Dear Shareholders,

On behalf of Board of Directors of Pakarab Fertilizers Limited, I hereby present the un-audited financial statements of the Company along with Directors' Report thereon for the first quarter ended March 31, 2012.

Financial Performance Review

	March 31, 2012	March 31, 2011
	(Rupees in million)	
Sales	2,206	2,262
Gross Profit	622	1,089
Operating Profit	494	1,073
Finance Cost	678	898
Profit / (Loss) after tax	(124)	104
Earning/(Loss) per share in rupees	(0.28)	0.23

Fertilizer Industry as a whole is going through a difficult phase whereby the overall off take has drastically declined not only due to significantly low demand compared to previous years but also due to glut of imported Urea imported by Government at almost double the local prices and sold in the market at well below the market rates incurring huge subsidies. Furthermore, continuous gas curtailment, imposition of gas development surcharge, resulting in increased prices is also taking its toll on the overall industry results.

During the period under review, your Company made a loss of Rs. 124 Million. The main reason for the adverse performance was (besides annual turnaround) stoppage/curtailment of gas on SNGPL network. Consequently the cost of production was high due to fixed cost together with increase in cost of natural gas due to imposition of infrastructure cess.

Financial costs reduced by Rs. 220 Million as compared to corresponding period last year due to effective management of funds.

Your Company has requested to Fatima Fertilizer Company Limited for redemption of preference shares amounting PKR 1,800 million and for conversion of the remaining 180 Million shares.

Production Review

Production of CAN, NP and Urea were lower by 57.3%, 67.2% and 100% respectively as compared to corresponding period last year mainly due to stoppages and curtailment of natural gas supply from SNGPL.

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

Products	Jan. 12 to Mar. 12		Jan. 11 to Mar. 11		Variance	
	M. Ton	N. Ton	M. Ton	N. Ton	M. Ton	N. Ton
Calcium Ammonium Nitrate (CAN)	18,158	4,721	42,515	11,054	(24,357)	(6,333)
Nitro Phosphate (NP)	11,656	4,896	35,584	14,945	(23,928)	(10,049)
Urea	-	-	4,209	1,936	(4,209)	(1,936)
TOTAL	29,814	9,617	82,308	27,935	(52,494)	(18,318)

Sales Review

Sales of CAN and Urea were lower by 81.77% and 100% respectively as compared to corresponding period last year. NP sales, however, increased by 93.24% as compared to corresponding period last year.

The product wise fertilizer sales during the current period as compared to last corresponding period are as under:

The sales figures were as follows:

Products	Jan. 12 to Mar. 12		Jan. 11 to Mar. 11		Variance	
	M. Ton	N. Ton	M. Ton	N. Ton	M. Ton	N. Ton
Calcium Ammonium Nitrate (CAN)	10,731	2,790	58,869	15,306	(48,138)	(12,516)
Nitro Phosphate (NP)	41,276	17,336	21,360	8,971	19,916	8,365
Urea	-	-	2,119	975	(2,119)	(975)
TOTAL	52,007	20,126	82,348	25,252	(30,341)	(5,126)

Future Outlook

Sales of all products are envisaged to improve in Q2. The Kharif season demand is expected to be positive as cotton prices continue to be stable. Pressure however on NP is likely to continue as farmers tend to use lower phosphate due to higher prices of the product prevailing in international market.

Acknowledgements

The Board wishes to place on record its gratitude for the hard work and dedication of every employee of the Company. The Board also appreciates and acknowledges the assistance, guidance and cooperation of all stakeholders including the Government of Pakistan, financial institutions, commercial banks, business associates, customers and all others whose efforts and contributions strengthened the Company.

On behalf of the Board

Lahore
April 28, 2012

Arif Habib
Chairman

Condensed Interim Balance Sheet

As at March 31, 2012

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES:			
Share capital and reserves:			
Authorized share capital 1,000,000,000 (2011: 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 (2011: 450,000,000) ordinary share of Rs. 10 each		4,500,000	4,500,000
Reserves		2,098,313	2,098,313
Share deposit money		200,000	200,000
Un-appropriated profit		3,667,114	3,615,730
		10,465,427	10,414,043
Surplus on revaluation of property, plant and equipment		11,827,977	11,942,294
NON-CURRENT LIABILITIES:			
Long term finances - secured	5	6,982,140	8,484,223
Supplier's credit - secured		1,796,000	1,796,000
Liabilities against assets subject to finance lease		118,473	138,018
Long term deposits		48,365	47,345
Deferred liabilities		109,924	90,684
Deferred taxation		10,826,155	10,967,290
		19,881,057	21,523,560
CURRENT LIABILITIES			
Current portion of long term liabilities		6,195,953	6,335,181
Short term borrowings - secured		5,192,248	4,643,806
Payable to privatization commission of Pakistan		2,197,901	2,197,901
Dividend payable		3,755,250	3,755,250
Trade and other payables		3,778,501	3,120,351
Accrued financial cost		661,043	677,085
Provision for taxation		707,857	731,455
		22,488,753	21,461,029
CONTINGENCIES AND COMMITMENTS	6	-	-
		64,663,214	65,340,926

The annexed notes 1 to 17 form an integral part of these financial statements.

Sd/-

Chief Executive

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	37,672,696	37,937,266
Assets subject to finance lease		206,367	229,381
Intangibles		155,750	161,000
Goodwill		3,305,163	3,305,163
Investments	8	177,010	130,482
Long term loans - unsecured	9	4,515,565	4,515,565
Security deposits		63,815	57,036
		46,096,366	46,335,893
CURRENT ASSETS			
Stores and spare parts		2,670,594	2,583,273
Stock-in-trade		1,716,895	2,057,363
Trade debts		1,043,769	890,573
Advances, deposits, prepayments and other receivables		5,347,562	5,299,914
Derivative financial instrument		22,251	18,756
Investments	10	7,360,430	7,358,830
Cash and bank balances		405,347	796,324
		18,566,848	19,005,033
		64,663,214	65,340,926

Sd/-

Director

Condensed Interim Profit and Loss Account

For the quarter and three months ended March 31, 2012 (Un-audited)

	Note	For the period and quarter ended March 2012	March 2011
		(Rupees in thousand)	
Sales		2,206,135	2,261,984
Cost of sales		(1,583,838)	(1,172,890)
Gross profit		622,297	1,089,094
Administrative expenses		(379,836)	(201,216)
Selling and distribution expenses		(100,356)	(166,464)
Other operating expenses		9,315	(19,596)
Other operating income		342,752	371,119
Profit from operations		494,172	1,072,937
Finance cost		(677,778)	(898,389)
Share of loss from associated company		-	(17,612)
Gain/(Loss) on re-measurement of financial assets at fair value through profit or loss		1,600	(1,580)
Profit before taxation		(182,006)	155,356
Taxation		57,568	(51,522)
Profit for the period		(124,438)	103,834
Earning per share in Rupees	13	(0.28)	0.23

The annexed notes 1 to 17 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Comprehensive Income

For the quarter and three months ended March 31, 2012 (Un-audited)

	For the period and quarter ended March 2012	March 2011
	(Rupees in thousand)	
Profit after taxation	(124,438)	103,834
Other comprehensive income	175,822	-
Total comprehensive income	51,384	103,834

The annexed notes 1 to 17 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Changes in Equity

For the quarter and three months ended March 31, 2012 (Un-audited)

(Rupees In Thousand)

	Share capital	General reserve	Share deposit money	Un-appropriated profit	Total
Balance as on January 01, 2011	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 ended March 31, 2011	-	-	-	103,834	103,834
Balance as on March 31, 2011	4,500,000	2,098,313	200,000	2,656,938	9,455,251
Specie dividend	-	-	-	(3,755,250)	(3,755,250)
Adjustment of surplus on revaluation	-	-	-	227,734	227,734
Total comprehensive income for the period	-	-	-	4,486,307	4,486,307
Balance as on December 31, 2011 (Audited)	4,500,000	2,098,313	200,000	3,615,729	10,414,042
Adjustment of surplus on revaluation	-	-	-	175,822	175,822
Total comprehensive income for the period	-	-	-	(124,438)	(124,438)
Balance as on March 31, 2012	4,500,000	2,098,313	200,000	3,667,114	10,465,427

The annexed notes 1 to 17 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement

For the quarter and three months ended March 31, 2012 (Un-audited)

	Note	For the period and quarter ended March 2012	March 2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	1,617,128	707,835
Finance cost paid		(693,820)	(725,116)
Taxes paid		(45,659)	(212,336)
Retirement benefits paid		(7,562)	(6,103)
		(747,041)	(943,555)
Net cash inflow / (outflow) from operating activities		870,087	(235,720)
Cash flows from investing activities			
Purchase of property, plant and equipment		(105,764)	(340,845)
Security deposits		(5,760)	(2,819)
Long term investment		(46,528)	-
Profit on bank deposits		4,492	672
Net cash inflow / (outflow) from investing activities		(153,560)	(342,992)
Cash flows from financing activities			
Repayment of redeemable capital		-	(500,000)
Payment of long term loans		(1,637,821)	(49,664)
Proceeds of long term loans		-	500,000
Payment of liability against mining rights		-	(52,500)
Lease finance Payment		(18,124)	(22,433)
Net cash inflow / (outflow) from financing activities		(1,655,945)	(124,597)
Net decrease in cash & cash equivalents		(939,418)	(703,309)
Cash and cash equivalents at beginning of the period		(3,847,483)	(4,516,853)
Cash and cash equivalents at the end of the period	12	(4,786,901)	(5,220,162)

The annexed notes 1 to 17 form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Notes to and forming part of Condensed Interim Financial Statements

For the period and three months ended March 31, 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 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, 2011. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended December 31, 2011 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, 2011.

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 31-12-2011.

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 year ended 31-12-2011.

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
5 LONG TERM FINANCES-SECURED			
Total long term financing-Secured	5.1	13,090,489	14,728,310
Less: Amount payable within twelve months shown as current maturity		6,108,349	6,244,087
		6,982,140	8,484,223
5.1 Movement in this account during the period / year is as follows:			
Opening balance:			
Redeemable capital		8,575,000	11,200,000
Long term loans		4,115,810	3,955,393
Syndicated term finance		2,037,500	2,037,500
		14,728,310	17,192,893
Disbursements during the period / year:			
Long term loans		-	1,337,500
Repayments during the period / year:			
Redeemable capital		-	2,625,000
Long term loans		1,637,821	1,177,083
		1,637,821	3,802,083
Closing balance:			
Redeemable capital		8,575,000	8,575,000
Long term loans		2,477,989	4,115,810
Syndicated term finance		2,037,500	2,037,500
		13,090,489	14,728,310

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 10.00 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.
- 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 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. 150.000 million (December 31, 2011: Rs 150.00 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 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.

(viii) The amendment earlier carried out in respect of tax year 2006 through amendment order passed under section 122 the Income Tax Ordinance, 2001 ('Ordinance'), raised a demand of Rs 451.418 million along with penalty of Rs 169.196 million, has been annulled by Commissioner Inland Revenue (Appeals) ['CIR(A)'] through order dated June 25, 2011. While such demand no longer holds the field legally, following a prudent approach, amount of Rs 178.342 million, earlier recognized as tax expense against such demand, has not been written back. Such amount would be written back upon confirmation of relief by higher appellate authorities.

(ix) The Additional Commissioner Inland Revenue ('AdCIR'), through separate orders passed under section 122(5A) of the Ordinance for tax years 2007 to 2009, raised income tax demands aggregating to Rs 1,562.454 million. The primary issue raised by AdCIR through such orders is that tax deductible expenditure claimed by the company against taxable income were also allocable to 'subsidy' received from the Federal Government and revenue derived from sale of 'emission reduction certificates . The company has agitated the amendment orders before CIR(A), which are pending adjudication. Since, it is the management's assertion that company's stance is supported by relevant legal position and the underlying facts, no provision on this account has been made in this condensed interim financial information.

(x) 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.

(xi) 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.

(xii) Includes 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.

(xiii) The company is in the process of filing an application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax of approximately Rs 500 million inadvertently short levied/paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011. Based on the advice of the company's legal counsel and tax advisor, management considers that reasonable grounds exist that the exemption would be allowed to the company. Consequently, no provision has been recognised in these financial statements for the abovementioned amount.

(xiv) Included in trade debts is an amount of Rs 28.511 million (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 these financial statements on this account.

(xv) 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.

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

6.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 219.425 million (December 31, 2011: Rs 312.650 million).

(ii) Letters of credit other than for capital expenditure Rs 966.653 million (December 31, 2011: Rs 233.937 million).

(iii) Purchase orders aggregating Rs 20.890 million (December 31, 2011: Rs 4.818 million) were placed and letters of credit were established subsequently.

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
7 PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	7.1	37,398,206	37,643,602
Capital work-in-progress		274,490	293,664
		37,672,696	37,937,266
7.1 Operating fixed assets			
Opening book value		37,643,602	21,712,407
Revaluation of assets	7.1.1	-	14,048,486
Additions during the period	7.1.2	125,233	2,728,396
		37,768,835	38,489,289
Book value of fixed assets disposed off during the period		178	16,747
Depreciation charged during the period		370,451	828,940
Closing book value		37,398,206	37,643,602

7.1.1 This represents surplus over book value resulting from the revaluation of Land, Building, Plant & Machinery, Railway siding and Tools & Equipment. The valuation was carried out by independent valuers, M/s Pirsons Chemical Engineering (Private) Limited, on September 30, 2011 under Current Market Price / Appraisal methods whereever applicable for the respective assets. Surplus on revaluation of property, plant and equipment can be utilized by the company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

	Un-audited March 2012	Audited December 2011
	(Rupees in thousand)	
7.1.2 Additions during the period:		
Building	-	23,676
Plant and machinery	6,086	193,764
Furniture and fixtures	-	12,016
Tools and equipment	1,939	68,811
Aircraft	-	2,273,109
Vehicles	1,998	100,465
Catalyst	115,210	56,555
	125,233	2,728,396

		Note	Un-audited March 2012 (Rupees in thousand)	Audited December 2011
8	INVESTMENTS			
	Investment in 100% owned subsidiary	8.1	23,500	23,500
	Advance for shares		125,333	79,633
			148,833	103,133
	Held to maturity:			
	Others	8.2	28,177	27,349
			177,010	130,482

8.1 This represents investment in 100% owned subsidiary company "Reliance Sacks Limited".

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.

		Note	Un-audited March 2012 (Rupees in thousand)	Audited December 2011
9	LONG TERM LOANS TO ASSOCIATED COMPANY			
	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, a former subsidiary 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, a related party, for the purpose of project financing. The rate of mark up is equal to the borrowing cost of the company. The effective rate of mark up charged on the outstanding balance during the year was 15.22%. 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 2012	Audited December 2011
		(Rupees in thousand)	
10 INVESTMENTS			
Available for sale:			
Related party - 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
At fair value through profit or loss:			
Other - Wateen Telecom Limited 2,000,000 (2010: 2,000,000) fully paid ordinary shares of Rs 10 each	10.1	5,180	3,580
		3,605,180	3,603,580
Investment held for distribution to members	10.2	3,755,250	3,755,250
		7,360,430	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.

10.2 This represents the 225 million ordinary shares of FATIMA held by the company for distribution to members, which are pledged with the security trustee of the lenders against the loans of FATIMA.

	Un-audited March 2012	Un-audited March 2011
	(Rupees in thousand)	
11 CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	(182,007)	155,356
Adjustments for:		
Depreciation on operating fixed assets	370,334	149,944
Depreciation on leased assets	18,103	19,570
Amortization on intangibles	5,250	5,587
Retirement benefits accrued	28,204	13,187
Finance cost	677,778	898,389
Dividend income receivable from Associate	(134,810)	-
Interest income from associated company	(159,280)	(167,365)
Profit on bank deposits	(4,492)	(672)
Share of loss of associate	-	19,192
Unrealized gain on investment	(1,600)	(629)
Operating profit before working capital changes	617,480	1,092,559
Effect on cash flow due to working capital changes		
Decrease / (Increase) in stores and spare parts	(87,321)	39,232
Decrease / (Increase) in stock in trade	340,469	(838,444)
Decrease / (increase) in trade debts	(153,195)	556,833
Decrease / (Increase) in advances, deposits, prepayments and other receivables	242,946	(472,573)
(Decrease) / Increase in creditors, accrued and other liabilities	656,749	330,228
	999,648	(384,724)
Cash generated from operations	1,617,128	707,835
12 CASH AND CASH EQUIVALENTS		
Finances under mark up arrangement	(5,192,248)	(5,370,619)
Cash and bank balances	405,347	150,457
	(4,786,901)	(5,220,162)

13 EARNINGS PER SHARE

13.1 Basic earnings per share

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

	Un-audited January 1 - March 31 2012	2011
	(Rupees in thousand)	
(Loss) / Profit after taxation	(124,438)	103,834
Number of ordinary shares	450,000	450,000
Earning per share in Rupees	(0.28)	0.23

13.2 Diluted earnings per share

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at March 31, 2012 and March 31, 2011 which would have any effect on the earnings per share if the option to convert is exercised.

14 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:

Relationship with the company	Nature of transaction	Un-audited January 1 - March 31 2012	2011
		(Rupees in thousand)	
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	29,227	14,515
ii. Key management personnel	Salaries & other employee benefits	184,138	172,679
iii. Associated companies	Markup expense on share deposit money	7,350	7,940
	Markup income on loans to associated company	163,909	166,735
	Dividend income on loan to associated company	134,810	147,531
	Sale of goods & services	-	27,766
	Purchase of goods & services	-	380,403
	Expenses shared with associated company	56,926	1,848
iv. Other related parties	Donation	350	-

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

	Un-audited March 2012	Audited December 2011
	(Rupees in thousand)	
15 PERIOD END BALANCES		
Receivable from related parties	2,399,624	2,105,400
Payable to related parties	60	-

16 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 28, 2012 by the Board of Directors of the company.

17 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 three months ended March 31, 2012 (Un-audited)

Condensed Consolidated Interim Balance Sheet

As at March 31, 2012

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES:			
Share capital and reserves:			
Authorized share capital 1,000,000,000 (2011: 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 (2011: 450,000,000) ordinary share of Rs. 10 each		4,500,000	4,500,000
Reserves		2,098,313	2,098,313
Share deposit money		200,000	200,000
Un-appropriated profit		3,662,897	3,612,870
		10,461,210	10,411,183
Surplus on revaluation of property, plant and equipment		11,827,977	11,942,294
NON-CURRENT LIABILITIES:			
Long term finances - secured	5	7,225,327	8,672,192
Supplier's credit - secured		1,796,000	1,796,000
Liabilities against assets subject to finance lease		118,473	138,018
Long term deposits		48,365	47,345
Deferred liabilities		109,924	90,684
Deferred taxation		10,826,155	10,967,290
		20,124,244	21,711,529
CURRENT LIABILITIES			
Current portion of long term liabilities		6,195,953	6,335,181
Short term borrowings - secured		5,192,248	4,643,806
Payable to privatization commission of Pakistan		2,197,901	2,197,901
Dividend payable		3,755,250	3,755,250
Trade and other payables		3,926,285	3,145,761
Accrued financial cost		669,891	677,821
Provision for taxation		707,857	731,118
		22,645,385	21,486,838
CONTINGENCIES AND COMMITMENTS	6	-	-
		65,058,816	65,551,844

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

Sd/-

Chief Executive

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	38,054,854	38,248,373
Assets subject to finance lease		206,367	229,382
Intangibles		155,750	161,000
Goodwill		3,305,163	3,305,163
Investments	8	28,177	27,349
Long term loans - unsecured	9	4,515,565	4,515,565
Security deposits		63,815	57,036
		46,329,691	46,543,868
CURRENT ASSETS			
Stores and spare parts		2,670,594	2,583,273
Stock-in-trade		1,835,079	2,057,363
Trade debts		1,043,769	890,573
Advances, deposits, prepayments and other receivables		5,391,634	5,302,845
Derivative financial instrument		22,251	18,756
Investments	10	7,360,430	7,358,830
Cash and bank balances		405,368	796,336
		18,729,125	19,007,976
		65,058,816	65,551,844

Sd/-

Director

Condensed Consolidated Interim Profit and Loss Account

For the quarter and three months ended March 31, 2012 (Un-audited)

	Note	For the period and quarter ended March 2012	March 2011
		(Rupees in thousand)	
Sales	11.1	2,206,135	2,261,984
Cost of sales	11.2	(1,583,838)	(1,172,890)
Gross profit		622,297	1,089,094
Administrative expenses		(381,127)	(201,216)
Selling and distribution expenses		(100,356)	(166,464)
Other operating expenses		9,315	(19,596)
Other operating income		342,752	371,119
Profit from operations		492,881	1,072,937
Finance cost		(677,845)	(898,389)
Share of loss from associated company		-	(17,612)
Gain/(Loss) on re-measurement of financial assets at fair value through profit or loss		1,600	(1,580)
Profit before taxation		(183,364)	155,356
Taxation		57,568	(51,522)
Profit for the period		(125,796)	103,834
Earning per share in Rupees	14	(0.28)	0.23

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Consolidated Interim Statement of Comprehensive Income

For the quarter and three months ended March 31, 2012 (Un-audited)

	For the period and quarter ended March 2012	March 2011
	(Rupees in thousand)	
Profit after taxation	(125,796)	103,834
Other comprehensive income	175,822	-
Total comprehensive income	50,026	103,834

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Consolidated Interim Statement of Changes in Equity

For the quarter and three months ended March 31, 2012 (Un-audited)

(Rupees In Thousand)

	Share capital	General reserve	Share deposit money	Un-appropriated profit	Total
Balance as on January 01, 2011	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 ended March 31, 2011	-	-	-	103,834	103,834
Balance as on March 31, 2011	4,500,000	2,098,313	200,000	2,656,938	9,455,251
Specie dividend	-	-	-	(3,755,250)	(3,755,250)
Share issuance cost, net	-	-	-	(769)	(769)
Adjustment of surplus on revaluation	-	-	-	227,734	227,734
Total comprehensive income for the period	-	-	-	4,484,217	4,484,217
Balance as on December 31, 2011 (Audited)	4,500,000	2,098,313	200,000	3,612,870	10,411,183
Adjustment of surplus on revaluation	-	-	-	175,822	175,822
Total comprehensive income for the period	-	-	-	(125,796)	(125,796)
Balance as on March 31, 2012	4,500,000	2,098,313	200,000	3,662,897	10,461,210

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

Sd/-
Chief Executive

Sd/-
Director

Condensed Consolidated Interim Cash Flow Statement

For the quarter and three months ended March 31, 2012 (Un-audited)

	Note	For the period and quarter ended March 2012	March 2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	1,579,244	707,835
Finance cost paid		(693,887)	(725,116)
Taxes paid		(45,659)	(212,336)
Retirement benefits paid		(7,562)	(6,103)
		(747,108)	(943,555)
Net cash inflow / (outflow) from operating activities		832,136	(235,720)
Cash flows from investing activities			
Purchase of property, plant and equipment		(168,723)	(340,845)
Security deposits		(5,760)	(2,819)
Long term investment		(46,528)	-
Profit on bank deposits		4,492	672
Net cash inflow / (outflow) from investing activities		(216,519)	(342,992)
Cash flows from financing activities			
Repayment of redeemable capital		-	(500,000)
Payment of long term loans		(1,637,821)	(49,664)
Proceeds of long term loans		55,218	500,000
Payment of liability against mining rights		-	(52,500)
Lease finance Payment		(18,124)	(22,433)
Net cash inflow / (outflow) from financing activities		(1,600,727)	(124,597)
Net decrease in cash & cash equivalents		(985,110)	(703,309)
Cash and cash equivalents at beginning of the period		(3,801,770)	(4,516,853)
Cash and cash equivalents at the end of the period	13	(4,786,880)	(5,220,162)

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 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 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 both the companies is E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facility of the parent company is located in Multan. While the subsidery company is engaged in manufacturing of polypropylene sacks and its manufacturing facility is located in Sadiqabad, Rahim Yar Khan.

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 Parent Company as at and for the year ended December 31, 2011. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended December 31, 2011 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, 2011.

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 accounting policies of both companies were the same as those applied to the audited financial statements for the year ended 31-12-2011.

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 year ended 31-12-2011.

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
5 LONG TERM FINANCES-SECURED			
Total long term financing-Secured	5.1	13,333,676	14,916,279
Less: Amount payable within twelve months shown as current maturity		6,108,349	6,244,087
		7,225,327	8,672,192
5.1 Movement in this account during the period / year is as follows:			
Opening balance:			
Redeemable capital		8,575,000	11,200,000
Long term loans		4,303,779	3,955,393
Syndicated term finance		2,037,500	2,037,500
		14,916,279	17,192,893
Disbursements during the period / year:			
Long term loans		55,218	1,525,469
Repayments during the period / year:			
Redeemable capital		-	2,625,000
Long term loans		1,637,821	1,177,083
		1,637,821	3,802,083
Closing balance:			
Redeemable capital		8,575,000	8,575,000
Long term loans		2,721,176	4,303,779
Syndicated term finance		2,037,500	2,037,500
		13,333,676	14,916,279

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

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

- Sui Northern Gas Pipelines Limited against gas sale amounting to Rs 10.00 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 parent company's obligations for equity contributions in FATIMA under the terms of the Sponsor Support Agreement dated March 6, 2009 between the parent company, FATIMA and its sponsors and lenders.
- 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 not provided for in these financial statements, furnished by the group Companies in favour of the Collector of Customs to cover import levies against import of plant & machinery aggregating to Rs. 182.347 million (December 31, 2011: Rs 182.347 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) The 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. 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 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 company's claim, the excess dividend withdrawn by the previous members of the parent Company would be recovered.

(viii) The amendment earlier carried out in respect of tax year 2006 through amendment order passed under section 122 the Income Tax Ordinance, 2001 ('Ordinance'), raised a demand of Rs 451.418 million along with penalty of Rs 169.196 million, has been annulled by Commissioner Inland Revenue (Appeals) ['CIR(A)'] through order dated June 25, 2011. While such demand no longer holds the field legally, following a prudent approach, amount of Rs 178.342 million, earlier recognized as tax expense against such demand, has not been written back. Such amount would be written back upon confirmation of relief by higher appellate authorities.

(ix) 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 has agitated the amendment orders before CIR(A), which are pending adjudication. Since, it is the management's assertion that parent company's stance is supported by relevant legal position and the underlying facts, no provision on this account has been made in this condensed interim financial information.

(x) Assistant Commissioner Inland Revenue ('ACIR'), through an order dated February 21, 2009, raised a demand of Rs 256.142 million including additional tax of Rs 31.142 million on the grounds that the parent company had not deducted withholding tax on distribution of Rs 2,250 million as 'specie dividends'. While the matter has been decided in parent company's favour and assessment order has been vacated by ATIR, departmental officials have assailed the finding of ATIR through a reference filed before Lahore High Court, which is pending adjudication. Since, 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.

(xi) 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.

(xii) Includes Rs 134.022 million which primarily represents the input sales tax paid by the company in respect of raw materials acquired before June 11, 2008 on which date fertilizer products manufactured by the parent company were exempted from levy of sales tax through notification SRO 535(I)/2008. The amount stood refundable to the parent company there being no output sales tax liability remaining payable on fertilizer products manufactured by the parent company against which such input sales tax was adjustable. The parent company's claim of refund on this account was not entertained by Federal Board of Revenue ('FBR') on the premise that since subject raw materials were subsequently consumed in manufacture of a product exempt from levy of sales tax, claim was not in accordance with the relevant provisions of the Sales Tax Act, 1990.

Parent Company's management being aggrieved with the interpretation advanced by FBR on the issue has preferred a writ petition before the Lahore High Court, which has not yet been disposed off. Since parent company's management considers that claim of refund is completely in accordance with relevant statutory framework and expects relief from appellate authorities on this account, it considers that the receivable amount was unimpaired at the balance sheet date.

(xiii) The parent company is in the process of filing an application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax of approximately Rs 500 million inadvertently short levied/paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011. Based on the advice of the parent company's legal counsel and tax advisor, management considers that reasonable grounds exist that the exemption would be allowed to the parent company. Consequently, no provision has been recognised in these financial statements for the abovementioned amount.

(xiv) Included in trade debts is an amount of Rs 28.511 million (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 these financial statements on this account.

(xv) 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.

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

6.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 241.404 million (December 31, 2011: Rs 334.630 million).

(ii) Letters of credit other than for capital expenditure Rs 966.653 million (December 31, 2011: Rs 233.937 million).

(iii) Purchase orders aggregating Rs 20.890 million (December 31, 2011: Rs 4.818 million) were placed and letters of credit were established subsequently.

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
7 PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	7.1	37,653,817	37,643,761
Capital work-in-progress		401,037	604,612
		38,054,854	38,248,373
7.1 Operating fixed assets			
Opening book value		37,643,761	21,712,407
Revaluation of assets	7.1.1	-	14,048,486
Additions during the period	7.1.2	380,704	2,728,572
		38,024,465	38,489,465
Book value of fixed assets disposed off during the period		178	16,747
Depreciation charged during the period		370,470	828,957
Closing book value		37,653,817	37,643,761

7.1.1 This represents surplus over book value resulting from the revaluation of Land, Building, Plant & Machinery, Railway siding and Tools & Equipment of the parent company. The valuation was carried out by independent valuers, M/s Pirsons Chemical Engineering (Private) Limited, on September 30, 2011 under Current Market Price / Appraisal methods whereever applicable for the respective assets. Surplus on revaluation of property, plant and equipment can be utilized by the parent company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

	Un-audited March 2012	Audited December 2011
	(Rupees in thousand)	
7.1.2 Additions during the period:		
Building	-	23,676
Plant and machinery	259,863	193,764
Furniture and fixtures	123	12,034
Tools and equipment	2,065	68,969
Aircraft	-	2,273,109
Vehicles	3,443	100,465
Catalyst	115,210	56,555
	380,704	2,728,572

8 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.

	Note	Un-audited March 2012	Audited December 2011
		(Rupees in thousand)	
9 LONG TERM LOANS TO ASSOCIATED COMPANY			
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, a former subsidiary 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 parent 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 parent company.

9.2 This represents unsecured loan to FATIMA, a former subsidiary company, for the purpose of project financing. The rate of mark up is equal to the borrowing cost of the parent company. The effective rate of mark up charged on the outstanding balance during the period was 13.91%. 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 2012	Audited December 2011
		(Rupees in thousand)	
10 INVESTMENTS			
Available for sale:			
Related party - 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
At fair value through profit or loss:			
Other - Wateen Telecom Limited 2,000,000 (2010: 2,000,000) fully paid ordinary shares of Rs 10 each	10.1	5,180	3,580
		3,605,180	3,603,580
Investment held for distribution to members	10.2	3,755,250	3,755,250
		7,360,430	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.

10.2 This represents the 225 million ordinary shares of FATIMA held by the parent company for distribution to members, which are pledged with the security trustee of the lenders against the loans of FATIMA.

11 SEGMENT RESULTS

	FERTILIZERS		CLEAN DEVELOPMENT MECHANISM		SACKS		TOTAL	
	FOR THE THREE MONTHS PERIOD ENDED							
	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Sale	2,160,657	1,931,834	45,478	330,150	-	-	2,206,135	2,261,984
Cost of sale	(1,578,233)	(1,150,460)	(5,605)	(22,430)	-	-	(1,583,838)	(1,172,890)
Gross profit	582,424	781,374	39,873	307,720	-	-	622,297	1,089,094
Administrative expenses	(379,181)	(199,671)	(655)	(1,545)	(1,291)	-	(381,127)	(201,216)
Selling and distribution expenses	(92,508)	(99,428)	(7,848)	(67,036)	-	-	(100,356)	(166,464)
	(471,689)	(299,099)	(8,503)	(68,581)	(1,291)	-	(481,483)	(367,680)
Segment results	110,735	482,275	31,370	239,139	(1,291)	-	140,814	721,414
Other operating expense							9,315	(19,596)
Other operating income							342,752	371,119
Profit from operations							492,881	1,072,937
Finance cost							(677,845)	(898,389)
Share of loss of associated company							-	(17,612)
Loss on re-measurement of financial asset at fair value through profit or loss							1,600	(1,580)
Taxation							57,568	(51,522)
							(125,796)	103,834

	FERTILIZERS		CLEAN DEVELOPMENT MECHANISM		SACKS		TOTAL	
	FOR THE THREE MONTHS PERIOD ENDED							
	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
11.1 SALES								
- Fertilizer products	2,093,553	1,860,804	45,478	330,150	-	-	2,139,031	2,190,954
- Purchased for resale	13,136	-	-	-	-	-	13,136	-
- Mid products	79,901	57,067	-	-	-	-	79,901	57,067
- Rock phosphate	1,986	34,185	-	-	-	-	1,986	34,185
- Processing income	9,542	27,766	-	-	-	-	9,542	27,766
	2,198,118	1,979,822	45,478	330,150	-	-	2,243,596	2,309,972
Less:								
Sales Incentive	37,461	46,761	-	-	-	-	37,461	46,761
Discount	-	1,227	-	-	-	-	-	1,227
	37,461	47,988	-	-	-	-	37,461	47,988
	2,160,657	1,931,834	45,478	330,150	-	-	2,206,135	2,261,984

	FERTILIZERS		CLEAN DEVELOPMENT MECHANISM		SACKS		TOTAL	
	FOR THE THREE MONTHS PERIOD ENDED							
	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
11.2 COST OF GOODS SOLD								
Raw material consumed	362,847	529,128	1,501	1,079	-	-	364,348	530,207
Packing material consumed	14,919	43,985	-	-	-	-	14,919	43,985
	377,766	573,113	1,501	1,079	-	-	379,267	574,192
Salaries, wages and other benefits	196,729	183,922	1,732	1,485	-	-	198,461	185,407
Fuel and power	184,493	239,775	1,025	1,016	-	-	185,518	240,791
Chemicals and catalysts consumed	41,375	69,400	-	-	-	-	41,375	69,400
Spare parts consumed	116,129	116,513	169	4	-	-	116,298	116,517
Stores consumed	34,328	59,566	966	1,475	-	-	35,294	61,041
Repairs and maintenance	20,081	16,343	5	248	-	-	20,086	16,591
Insurance	60,167	55,971	730	597	-	-	60,897	56,568
Depreciation on operating fixed assets	197,883	106,343	7,696	3,514	-	-	205,579	109,857
Depreciation on assets subject to finance lease	4,495	6,645	-	-	-	-	4,495	6,645
Amortization on intangible assets	5,250	5,587	-	-	-	-	5,250	5,587
Other expenses	17,541	25,765	3,502	4,596	-	-	21,043	30,361
	1,256,236	1,458,943	17,326	14,014	-	-	1,273,562	1,472,957
Opening stock of mid products	16,964	17,368	-	-	-	-	16,964	17,368
Closing stock of mid products	(43,650)	(16,843)	-	-	-	-	(43,650)	(16,843)
	(26,686)	525	-	-	-	-	(26,686)	525
	1,229,550	1,459,468	17,326	14,014	-	-	1,246,876	1,473,482
Opening stock of finished goods manufactured	788,873	362,042	14,362	20,934	-	-	803,235	382,976
Closing stock of finished goods manufactured	(451,521)	(671,050)	(26,083)	(12,518)	-	-	(477,604)	(683,568)
	337,352	(309,008)	(11,721)	8,416	-	-	325,631	(300,592)
Fertilizer purchased for resale	11,331	-	-	-	-	-	11,331	-
	1,578,233	1,150,460	5,605	22,430	-	-	1,583,838	1,172,890

	Un-audited March 2012	Un-audited March 2011
	(Rupees in thousand)	
12 CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	(183,364)	155,356
Adjustments for:		
Depreciation on operating fixed assets	370,334	149,944
Depreciation on leased assets	18,103	19,570
Amortization on intangibles	5,250	5,587
Retirement benefits accrued	28,204	13,187
Finance cost	677,845	898,389
Dividend income receivable from Associate	(134,810)	-
Interest income from associated company	(159,280)	(167,365)
Profit on bank deposits	(4,492)	(672)
Share of loss of associate	-	19,192
Unrealized gain on investment	(1,600)	(629)
Operating profit before working capital changes	616,209	1,092,559
Effect on cash flow due to working capital changes		
Decrease / (Increase) in stores and spare parts	(87,321)	39,232
Decrease / (Increase) in stock in trade	222,285	(838,444)
Decrease / (increase) in trade debts	(153,195)	556,833
Decrease / (Increase) in advances, deposits, prepayments and other receivables	202,142	(472,573)
(Decrease) / Increase in creditors, accrued and other liabilities	779,124	330,228
	963,035	(384,724)
Cash generated from operations	1,579,244	707,835
13 CASH AND CASH EQUIVALENTS		
Finances under mark up arrangement	(5,192,248)	(5,370,619)
Cash and bank balances	405,368	150,457
	(4,786,880)	(5,220,162)

14 EARNINGS 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 :

	Un-audited January 1 - March 31 2012	2011
	(Rupees in thousand)	
(Loss) / Profit after taxation	(125,796)	103,834
Number of ordinary shares	450,000	450,000
Earning per share in Rupees	(0.28)	0.23

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, 2012 and March 31, 2011 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 parent 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:

Relationship with the company	Nature of transaction	Un-audited January 1 - March 31 2012	2011
		(Rupees in thousand)	
i. Post employment benefit plan	Expense charged in respect of retirement benefit plan	29,227	14,515
ii. Key management personnel	Salaries & other employee benefits	184,138	172,679
iii. Associated companies	Markup expense on share deposit money	7,350	7,940
	Markup income on loans to associated company	163,909	166,735
	Dividend income on loan to associated company	134,810	147,531
	Sale of goods & services	-	27,766
	Purchase of goods & services	-	380,403
	Expenses shared with associated company	56,926	1,848
iv. Other related parties	Donation	350	-

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

	Un-audited March 2012	Audited December 2011
	(Rupees in thousand)	
16 PERIOD END BALANCES		
Receivable from related parties	2,399,624	2,105,400
Payable to related parties	60	-

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed consolidated interim financial information was authorized for issue on April 28, 2012 by the Board of Directors of the parent company.

18 CORRESPONDING FIGURES

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