



PEOPLE, PROCESS, POWER

For a Sarsabz Pakistan.

3rd QUARTERLY
REPORT
2019

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COMPANY INFORMATION

Board of Directors

Mr. Arif Habib

Chairman

Mr. Fawad Ahmed Mukhtar

Chief Executive Officer

Mr. Fazal Ahmed Sheikh

Director

Mr. Faisal Ahmed Mukhtar

Director

Mr. M. Abad Khan

Director

Mr. Muhammad Kashif Habib

Director

Ms. Anja E. Nielsen

Independent Director

Mr. Tariq Jamali

Nominee Director – NBP

Director Finance & Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi

(communications@fatima-group.com)

Key Management

Mr. Arif-ur-Rehman

Chief Manufacturing Officer

Mr. Rehman Hanif

Plant Manager

Mr. Khurram Javed Maqbool

Director Sales & Marketing

Ms. Sadia Irfan

Director HR

Mr. Iftikhar Mahmood Baig

Director Business Development

Mr. Ahsen-ud-Din

Director Technology Division

Mr. Ormair Mohsin

Head of Legal

Mr. Salman Ahmad

Head of Internal Audit

Mr. Faisal Jamal

Corporate HSE & Technical Support Manager

Mr. Asghar Naveed

Plant Manager Fatimafert Limited

Audit Committee Members

Ms. Anja E. Nielsen

Chairperson

Mr. Muhammad Kashif Habib

Member

Mr. Faisal Ahmed Mukhtar

Member

Mr. M. Abad Khan

Member

Mr. Tariq Jamali

Member

HR and Remuneration Committee Members

Ms. Anja E. Nielsen

Chairperson

Mr. M. Abad Khan

Member

Mr. Muhammad Kashif Habib

Member

Mr. Faisal Ahmed Mukhtar

Member

Legal Advisors

M/s. Chima & Ibrahim Advocates
1-A/245, Tufail Road, Lahore-Cantt

Auditors

M/s. Deloitte Yousuf Adil
Chartered Accountants, Lahore
(A member firm of Deloitte Touche
Tohmatsu Limited)
134-A, Abu Bakar Block,
New Garden Town, Lahore
Tel: +92 42 3591 3595-7, +92 42 3544 0520
Fax: +92 42 3544 0521
Web: www.deloitte.com.pk

Registrar and Share Transfer Agent

CDC Share Registrar Services Limited
CDC House, 99-B, Block-B'
S.M.C.H.S, Main Shahra-e-Faisal,
Karachi-74400
Tel: Customer Support Services
(Toll Free) (92) 0800-23275
Fax: (92-21) 3432 6053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Bankers

Allied Bank Limited
Habib Bank Limited
Standard Chartered Bank (Pakistan) Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
Standard Chartered Bank, United Kingdom
Bank Alfalah Limited
MCB Bank Limited
Summit Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
The Bank of Khyber
Bank Islami Pakistan Limited
National Bank of Pakistan
The Bank of Punjab
Citibank N.A.
Sindh Bank Limited
United Bank Limited
Faysal Bank Limited
Soneri Bank Limited
JS Bank Limited
Industrial & Commercial Bank of China

Registered Office / Head Office

E-110, Khayaban-e-Jinnah,
Lahore-Cantt, Pakistan
UAN: 111-FATIMA (111-328-462)
Fax: +92 42 3662 1389

Plant Site

Mukhtar Garh, Sadiqabad, Distt.
Rahim Yar Khan, Pakistan
Tel: 068 – 5951000
Fax: 068 – 5951166

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Fatima Fertilizer Company Limited, we are pleased to present the un audited financial statements of the Company for nine months ended September 30, 2019 along with overview of operational and financial performance of the Company.

Market Overview - Global

Phosphates

Strong demand from Asia kept the phosphate market strong with major imports from Saudi Arabia, Morocco, the US and Australia as Chinese producers operated at lower levels due to the government's environmental crackdown and supply from Tunisia was affected by disruptions from civil unrest and production issues. India remained the major importing hub while Pakistan returned to the market for DAP cargoes and bought volumes from China, Morocco and Australia.

Urea

Global Urea prices declined in the third quarter, as there has been lack of demand in any importing hub with the exception of India. Indian demand remained spurred by record high rains and diminished local supply due to shut down of some local plants. Other markets continue to be lacklustre, with Turkey and Brazil saturated with product from various regions.

Market Overview – Pakistan

Total fertilizer off take in Pakistan in the third quarter of the year stood at 2.24 million MT which is almost at par with 2.26 million MT for comparable period last year. 7% increase in Urea offtake from 1.41 million MT to 1.50 million MT was offset by 14% decline in DAP offtake from 0.58 million MT to 0.50 million MT. The increase in Urea offtake resulted from improved availability of the product as the Government ensured uninterrupted gas supply to Urea based manufacturing plants that remained shut for most of the last year due to non availability of gas at viable rates.

Company Performance

Overall operational and financial performance of Company remained satisfactory. During the nine months of the current year, the Company generated revenue of Rs. 39.38 billion and net profit after tax of Rs. 11.33 billion compared to Rs. 34.51 billion and Rs. 9.44 billion respectively for comparable period last year.

Overall sales volumes for the period slid slightly compared to same period last year, mainly due to absence of exports.

Sales Volume

Products	Jan to Sep – 2019	Jan to Sep – 2018
	("000" Tons)	
Urea	306	423
CAN	367	407
NP	329	297
Total	1,002	1,127

Plant performance remained excellent. Overall production for nine months was 6% lower than last year comparative period as plant had to remain shut down for 21 days for Turnaround.

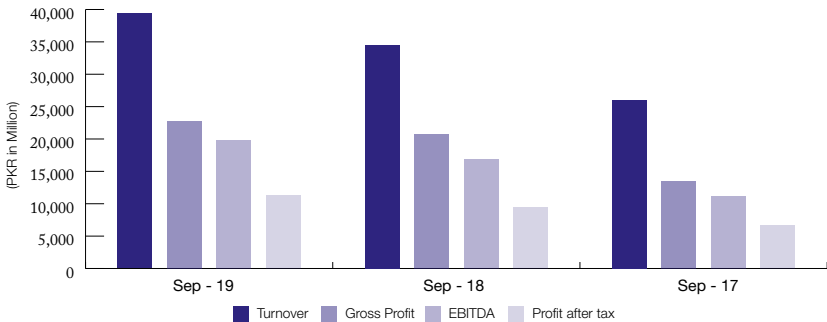
Production

Products	Jan to Sep – 2019 ("000" Tons)	Jan to Sep – 2018 ("000" Tons)
Ammonia	391	436
Nitric Acid	393	387
Urea	291	367
CAN	336	358
NP	346	314

Rising input prices due to inflation and Rupee devaluation resulted in 21% increase in the cost of sales. The Company generated Gross Profit of Rs. 22.78 billion in the current reporting period compared to Rs. 20.77 billion in the comparative period last year. Finance cost increased by more than a 110% due to the increasing Policy Rate by SBP and strain of considerable funds stuck with the Government in shape of Subsidy receivable and Sales Tax refunds. Sales Tax refundable is piling up continuously due to the anomaly that the output sales tax on the fertilizers is charged at 2% while the input tax is charged at the rates of 5% to 17%. This anomaly has resulted in building up of huge amounts of Sales Tax refunds disturbing the cash flows of the Company.

As a result, the Company posted before and after tax profits of PKR 15.96 billion and PKR 11.33 billion respectively, compared to PKR 14.51 billion and PKR 9.44 billion posted for comparative period last year. Company's Earnings per Share (EPS) stand at Rs 5.39 per share against Rs 4.49 per share in the corresponding period last year.

Financial Performance



Overall HSE performance remained excellent with Zero recordable injury in the review period. It is stated with due pleasure that the plant has crossed 51.8 Million Safe Man Hours, which is ever highest in any fertilizer plant across the globe. This is the testament of the unwavering resolve of the management to adhere to world class operating and safety standards. Our state of the art plant safety management systems gained international recognition through achievement of "Community Advancement Award 2019" from the USA National Safety Council, distinction in International Safety Award (British Safety Council) and Gold Award from Royal Society for Prevention of Accident (ROSPA).

Consolidated Financial Results

With sustained gas supply, though at higher price, Fatimafert (FFT) remained in operation through the period. During the period it produced 342,279 MT Urea against zero production for comparative period last year due to non availability of gas at viable rates. The sales volume of FFT was as follows:

Products	Sales Volume	
	Jan to Sep – 2019	Jan to Sep – 2018
	("000" Tons)	
Urea	267	-
DAP	36	16

Summary of consolidated financial results for nine months ended September 30, 2019 is as follows:

	PKR in Million
Sale	51,239
Gross Profit	21,104
Profit Before Tax	13,222
Profit After Tax	9,218

The Board of Directors in their meeting held on October 15, 2018, have decided to amalgamate Fatimafert Limited with effect from January 01, 2019. The application for the purpose has been filed in the Court and the process is expected to complete in the last quarter of the current year.

Future Outlook

Healthy fertilizer demand is expected in the country during the upcoming Rabi season. Your Company is well positioned to play its role in meeting that demand with excellent plant performance of Fatima Fertilizer and improved availability of stocks, due to around the year operations at optimal efficiency of Fatimafert plant - courtesy sustained gas supply by the Government. With strong financial and liquidity position, the Company is continuously exploring additional avenues within and outside fertilizer sector to maximize returns for our stakeholders.

Acknowledgements

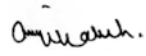
The Board places on record its gratitude for the hard work and dedication of every employee of the Company. The Board also appreciates and acknowledges the assistance, guidance and cooperation of all stakeholders including the Government of Pakistan, financial institutions, commercial banks, business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

For and on behalf of the Board



Fawad Ahmed Mukhtar
Chief Executive Officer

Lahore
October 29, 2019



Arif Habib
Chairman



**CONDENSED INTERIM
FINANCIAL STATEMENTS**

for the nine months ended September 30, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

	Note	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2018: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2018: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	48,913,625	41,261,314
		69,913,625	62,261,314
NON CURRENT LIABILITIES			
Long term finances	5	7,900,841	6,887,911
Deferred liabilities	6	16,263,581	15,807,481
Long term deposits		47,420	49,006
		24,211,842	22,744,398
CURRENT LIABILITIES			
Trade and other payables		19,573,229	13,688,406
Accrued finance cost		742,908	224,119
Short term finances - secured	7	2,280,657	4,821,661
Unpaid dividend		152,593	–
Unclaimed dividend		38,082	68,832
Current maturity of long term finances	5	6,137,908	6,142,276
		28,925,377	24,945,294
CONTINGENCIES & COMMITMENTS			
	8		
		123,050,844	109,951,006

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.

	Note	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	81,254,898	78,261,964
Intangible assets	10	71,178	78,653
		81,326,076	78,340,617
Long term investments		2,240,360	2,240,360
Long term loan to associated company		2,999,000	1,999,333
Long term deposits		267,356	254,294
		86,832,792	82,834,604
CURRENT ASSETS			
Stores and spares	11	5,528,439	5,058,691
Stock in trade	12	6,666,756	5,028,170
Trade debts		1,753,382	2,397,405
Short term loans		7,233,923	6,072,923
Advances, deposits, prepayments and other receivables		13,715,603	7,398,286
Short term investments		653,230	623,273
Cash and bank balances		666,719	537,654
		36,218,052	27,116,402
		123,050,844	109,951,006



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the nine months ended September 30, 2019

	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Rupees in thousand)					
Sales	13	12,572,260	11,409,902	39,380,031	34,511,124
Cost of sales	14	(5,128,602)	(4,398,154)	(16,595,074)	(13,740,654)
Gross profit		7,443,658	7,011,748	22,784,957	20,770,470
Distribution cost		(758,482)	(880,614)	(2,548,127)	(3,231,180)
Administrative expenses		(660,830)	(393,125)	(1,884,504)	(1,408,217)
		6,024,346	5,738,009	18,352,326	16,131,073
Finance cost	15	(727,197)	(328,446)	(2,067,206)	(968,730)
Other operating expenses		(343,259)	(445,018)	(1,396,206)	(1,239,312)
		4,953,890	4,964,545	14,888,914	13,923,031
Other income		393,140	234,612	1,077,593	588,534
Profit before tax		5,347,030	5,199,157	15,966,507	14,511,565
Taxation		(1,549,556)	(2,096,645)	(4,637,263)	(5,072,381)
Profit for the period		3,797,474	3,102,512	11,329,244	9,439,184
Earnings per share					
- basic and diluted (Rupees)	17	1.81	1.48	5.39	4.49

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

For the nine months ended September 30, 2019

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(Rupees in thousand)			
Profit for the period	3,797,474	3,102,512	11,329,244	9,439,184
Items that may be reclassified subsequently to profit or loss:				
Deficit on remeasurement of investments classified as available for sale	–	–	–	(731)
Fair value through other comprehensive income (FVTOCI)	–	–	(2,722)	–
Related tax thereon	–	–	789	219
Other comprehensive Income	–	–	(1,933)	(512)
Total comprehensive income for the period	3,797,474	3,102,512	11,327,311	9,438,672

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2019

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurement of investment	Total
	Share premium	Unappropriated profit				
(Rupees in thousand)						
Balance at December 31, 2017 (Audited)	21,000,000	1,790,000	31,002,102	(49,073)	(1,237)	53,741,792
Profit for the period	-	-	9,439,184	-	-	9,439,184
Other comprehensive income:						
Deficit on remeasurement of investments available for sale - net of tax	-	-	-	-	(512)	(512)
Total comprehensive income	-	-	9,439,184	-	(512)	9,438,672
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	-	-	(4,725,000)	-	-	(4,725,000)
Balance at September 30, 2018 (Un audited)	21,000,000	1,790,000	35,716,286	(49,073)	(1,749)	58,455,464
Balance at December 31, 2018 (Audited)	21,000,000	1,790,000	39,549,494	(74,029)	(4,151)	62,261,314
Profit for the period	-	-	11,329,244	-	-	11,329,244
Other comprehensive income:						
Deficit on remeasurement of investments FVTOCI - net of tax	-	-	-	-	(1,933)	(1,933)
Total comprehensive income	-	-	11,329,244	-	(1,933)	11,327,311
Transactions with owners:						
- Final dividend for the year ended December 31, 2018 @ Rs 1.75 per share	-	-	(3,675,000)	-	-	(3,675,000)
Balance at September 30, 2019 (Un audited)	21,000,000	1,790,000	47,203,738	(74,029)	(6,084)	69,913,625

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN AUDITED)

For the nine months ended September 30, 2019

	September 30, 2019	September 30, 2018
Note	(Rupees in thousand)	
Cash flows from operating activities		
Cash generated from operations	18	15,690,132
Net decrease in long term deposits		(1,586)
Finance cost paid		(1,548,417)
Taxes paid		(3,133,758)
Employee retirement benefits paid		(30,322)
Net cash from operating activities		10,976,049
Cash flows from investing activities		
Additions in property, plant and equipment		(4,807,486)
Additions in intangible assets		(12,758)
Proceeds from disposal of property plant and equipment		1,083
Long term investment		-
Short term loans to associated companies - net		(1,161,000)
Short term investment		(128,770)
Proceeds from short term investment		80
Dividend received		16,845
Net increase in long term deposits		(13,062)
Profit received on short term loans and saving accounts		510,118
Net cash used in investing activities		(5,594,950)
Cash flows from financing activities		
Repayment of long term finances		(3,157,873)
Proceeds from long term finances		4,000,000
Dividend paid		(3,553,157)
Decrease in short term finances - net		(2,541,004)
Net cash used in financing activities		(5,252,034)
Net increase / (decrease) in cash and cash equivalents		129,065
Cash and cash equivalents at the beginning of the period		537,654
Cash and cash equivalents at the end of the period		666,719

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

1 Legal Status and nature of business

Fatima Fertilizer Company Limited ('the Company'), was incorporated in Pakistan on December 24, 2003 as a public company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange.

The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facilities of the Company are located at Mukhtargarh, Sadiqabad Pakistan.

These financial statements are the separate financial statements of the Company in which investments in subsidiary company and associates are accounted for on the basis of actual cost incurred to acquire subsidiary or associates rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2 Basis of preparation

- 2.1 These condensed interim financial information of the Company for the nine months ended September 30, 2019 have been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions and directives issued under the Companies Act, 2017 have been followed.
- 2.2 These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018. Comparative condensed interim statement of financial position is extracted from annual audited financial statements for the year ended December 31, 2018 and comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are stated from un audited condensed interim financial information for the nine months ended September 30, 2018.
- 2.3 These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 Accounting policies and estimates

Except of changes required by new accounting standards as described below, the accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Company for the year ended December 31, 2018.

3.1 New Accounting Standards effective for the period

Followings standards, interpretations and amendments to published approved accounting standards that are effective and relevant comprise of:

- IFRS 15 'Revenue from contracts with customers' replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition. It introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- IFRS 16 'Leases' replaces the previous lease standard: IAS 17 Leases. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.
- IFRS 9 'Financial Instruments' replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Management of the Company has assessed the changes laid down by these standards and determined that these do not have any significant impact on these condensed interim financial statements of the Company.

	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)		
4 Reserves		
Capital reserve:		
Share premium	1,790,000	1,790,000
Revenue reserve:		
Unappropriated profit	47,203,738	39,549,494
Post retirement benefit obligation reserve	(74,029)	(74,029)
Deficit on remeasurement of investment - FVTOCI	(6,084)	(4,151)
	48,913,625	41,261,314

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

	Note	Un audited	Audited
		September 30, 2019	December 31, 2018
		(Rupees in thousand)	
5 Long term finances			
Rated, listed and secured Ijarah Sukuk Certificates		5,250,000	6,300,000
Secured loans from banking companies/ financial institutions		8,788,749	6,730,187
		14,038,749	13,030,187
Less: Current portion		6,137,908	6,142,276
		7,900,841	6,887,911
5.1 Movement of long term finances			
Opening balance		13,030,187	16,426,334
Disbursements		4,000,000	2,156,282
Repayments		(3,157,873)	(5,907,718)
Exchange loss on translation of foreign currency loan		166,435	355,289
Closing Balance		14,038,749	13,030,187
6 Deferred liabilities			
Deferred taxation	6.1	15,528,142	15,163,271
Employee retirement benefits	6.2	735,439	644,210
		16,263,581	15,807,481

6.1 Deferred taxation

	September 30, 2019 (Un audited)			
	At December 31, 2018	Charged / (credited) to		At September 30, 2019
		Profit or loss	Other comprehensive income	
(Rupees in thousand)				
Deferred tax liabilities:				
Accelerated tax depreciation	15,192,988	365,660	–	15,558,648
Deferred tax asset:				
Short term investment - FVTOCI	(1,703)	–	(789)	(2,492)
Remeasurement of defined benefit obligation	(28,014)	–	–	(28,014)
	(29,717)	–	(789)	(30,506)
	15,163,271	365,660	(789)	15,528,142

	December 31, 2018 (Audited)			At December 31, 2018
	At December 31, 2017	Charged / (credited) to		
		Profit or loss	Other comprehensive income	
(Rupees in thousand)				
Deferred tax liabilities:				
Accelerated tax depreciation	15,319,359	(126,371)	–	15,192,988
Deferred tax asset:				
Provision for retirement benefits	(50,541)	50,541	–	–
Short term investment - available for sale	(530)	–	(1,173)	(1,703)
Remeasurement of defined benefit obligation	(21,494)	–	(6,520)	(28,014)
	(72,565)	50,541	(7,693)	(29,717)
	15,246,794	(75,830)	(7,693)	15,163,271

	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)		

6.2 Employee retirement benefits

Gratuity	526,234	449,612
Accumulating compensated absences	209,205	194,598
	735,439	644,210

7 Short term finances

The Company has obtained short term financing facilities from various banks for working capital requirements in the nature of Running Finance, Cash Finance and Finance against Imported Merchandise.

These facilities are secured by Pari Passu charge on present and future current assets of the Company with 25% margin over financed amount, pledge of raw material and finished goods and personal guarantees of sponsoring directors.

These facilities carry markup ranging from 10.46% to 14.80% (December 31, 2018: 5.78% to 11.40%) per annum for Running Finance and Cash Finance and 10.76% to 14.30% (December 31, 2018: 7.53% to 10.65%) per annum for Finance against Imported Merchandise.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

8 Contingencies and commitments:

8.1 Contingencies

At September 30, 2019, there is no material change in the status of contingencies as reported in the notes to the financial statements of the Company for the year ended December 31, 2018 except for the followings:

- i Deciding on the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) [CIR(A)] has annulled the order passed under section 122(5A) of Income Tax Ordinance, 2001, by the Additional Commissioner Inland Revenue (ACIR) Multan. ACIR had raised a demand of Rs 1,592 million against the Company by disallowing and adding back various admissible deductions claimed by the Company towards its taxable income for Tax year 2017.
- ii Deciding on the appeal filed by the Company, the CIR(A) has annulled the order passed under section 122(5) of Income Tax Ordinance, 2001, by the Deputy Commissioner Inland Revenue (DCIR) Multan. DCIR had raised a demand of Rs 1,055 million against the Company by declaring the Company's Trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for Tax year 2011.
- iii The Company has preferred an appeal before the CIR(A) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990 in respect of cases selected for audit u/s 25 of Sales Tax Act, 1990 for the period from July 2014 to June 2015 thereby framing an impugned tax demand of Rs 131 million. The case has not yet been fixed for hearing as of date.
- iv The Company has filed an appeal before the CIR(A) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990 (STA). The assessing officer had raised a demand of Rs 501 million against the Company by allegedly charging sales tax on advances received from customers. The case has not yet been fixed for hearing as of date.

	Un audited September 30, 2019	Audited December 31, 2018
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(Rupees in thousand)

8.2 Commitments in respect of :

(i) Contracts for capital expenditure	540,453	1,844,529
(ii) Contracts for other than capital expenditure	578,010	850,480
(iii) The amount of future payments under non cancellable operating leases:		
Not later than one year	282,923	273,053
Later than one year but not later than five years	384,951	217,901
	667,874	490,954

	Note	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
9 Property, plant and equipment			
Operating fixed assets - tangible	9.1	72,597,995	71,603,766
Capital work in progress	9.2	8,656,903	6,658,198
		81,254,898	78,261,964
9.1 Movement of operating fixed assets- tangible			
Opening book value		71,603,766	70,142,753
Additions during the period	9.1.1	2,808,781	4,748,923
Less: book value of disposals during the period		256	–
		74,412,291	74,891,676
Less: depreciation charged during the period		1,814,296	3,287,910
Closing book value		72,597,995	71,603,766
9.1.1 Additions during the period			
Freehold land		269,429	–
Building on freehold land		499,413	95,234
Building on leasehold land		–	30,445
Plant and machinery		1,726,756	2,863,361
Aircraft		–	1,567,285
Catalysts		206,708	–
Furniture and fixtures		1,867	9,456
Office equipment		6,064	3,226
Electric installations and appliances		36,672	57,207
Computers		14,461	85,472
Vehicles		47,411	37,237
		2,808,781	4,748,923
9.2 Capital work in progress			
Civil works		297,002	737,158
Plant and machinery		2,605,997	1,980,124
Capital stores		579,345	644,617
Advances:			
- Freehold land		5,086	187,879
- Civil works		55,263	2,724
- Plant and machinery		5,114,210	3,105,696
		5,174,559	3,296,299
		8,656,903	6,658,198

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

Un audited
September 30, 2019 Audited
December 31, 2018
(Rupees in thousand)

	Un audited September 30, 2019	Audited December 31, 2018
9.2.1 Movement of capital work in progress		
Opening balance	6,658,198	2,847,204
Additions during the period	3,611,441	6,457,731
	10,269,639	9,304,935
Less: Capitalization during the period	1,612,736	2,646,737
Closing balance	8,656,903	6,658,198
10 Intangible assets		
Opening book value	78,653	38,196
Additions during the period	12,758	57,655
	91,411	95,851
Less: amortization charged during the period	20,233	17,198
Closing book value	71,178	78,653
11 Stores and spares		
Stores	237,693	251,433
Spares	4,119,017	3,765,897
Catalyst and chemicals	1,171,729	1,041,361
	5,528,439	5,058,691
12 Stock in trade		
Raw material {including in transit Rs 2,104.522 million (December 31, 2018: Rs 14.831 million)}	2,949,919	1,474,847
Packing material	62,056	1,590
Mid Products		
Ammonia	19,291	18,638
Nitric Acid	24,447	17,740
Others	402	424
	44,140	36,802
Finished goods		
Urea	728,188	847,362
NP	2,443,228	2,004,330
CAN	360,591	577,154
Certified emission reductions	78,634	86,085
	3,610,641	3,514,931
	6,666,756	5,028,170

	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		(Rupees in thousand)			
13 Sales					
Local sales	13.1	12,572,260	11,395,751	39,380,031	33,040,965
Export sales		–	14,151	–	1,470,159
		12,572,260	11,409,902	39,380,031	34,511,124
13.1 Local sales					
Fertilizer Products		12,897,469	11,771,200	40,189,467	34,891,508
Mid products		93,031	148,815	330,071	325,406
Subsidy from Government of Pakistan		–	–	–	300,988
Certified emission reductions		19,905	–	132,839	–
		13,010,405	11,920,015	40,652,377	35,517,902
Less: Sales Tax		263,176	254,564	828,848	1,882,332
Discounts		174,969	269,700	443,498	594,605
		12,572,260	11,395,751	39,380,031	33,040,965
14 Cost of sales					
Raw material consumed		2,623,323	2,211,278	7,280,577	5,281,543
Packing material consumed		251,510	276,907	676,578	752,298
Salaries, wages and other benefits		628,818	526,656	1,923,647	1,710,590
Fuel and power		1,023,008	786,699	2,668,935	2,236,148
Chemicals and catalyst consumed		110,264	155,390	416,823	406,618
Stores and spares consumed		225,554	177,299	723,631	582,775
Technical assistance		12,358	9,011	82,029	34,182
Repair and maintenance		174,190	284,618	826,535	801,162
Insurance		50,777	42,895	152,545	121,743
Travelling and conveyance		28,875	17,270	76,260	55,104
Rent, rates and taxes		16,932	9,442	41,669	32,424
Vehicle running and maintenance		22,557	14,800	57,734	41,585
Depreciation		548,207	449,856	1,702,460	1,349,369
Others		15,446	10,323	68,699	40,967
Manufacturing cost		5,731,819	4,972,444	16,698,122	13,446,508
Opening stock of mid products		29,284	31,209	36,802	10,116
Closing stock of mid products		(44,140)	(29,933)	(44,140)	(29,933)
Cost of goods manufactured		5,716,963	4,973,720	16,690,784	13,426,691
Opening stock of finished goods		3,022,280	1,561,480	3,514,931	2,451,009
Closing stock of finished goods		(3,610,641)	(2,137,046)	(3,610,641)	(2,137,046)
		5,128,602	4,398,154	16,595,074	13,740,654

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Rupees in thousand)				
15 Finance cost				
Markup on long term finances	409,946	266,881	1,107,072	837,881
Markup on short term finances	296,768	58,023	776,643	100,238
Bank charges and others	20,483	3,542	183,491	30,611
	727,197	328,446	2,067,206	968,730

16 Transactions with related parties

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

		Nine Months ended	
		September 30, 2019	September 30, 2018
(Rupees in thousand)			
Relationship with the company	Nature of transaction		
Subsidiary company	Short term loan	1,161,000	1,274,835
	Other income	362,951	226,021
	Store and spares	–	20,700
	Miscellaneous expenses	–	43,721
Associated companies	Purchase of raw / packing material	850,829	864,367
	Short term loan	–	2,000,000
	Miscellaneous expenses	23,466	145,910
	Purchase of Aircraft and related accessories	–	1,599,997
	Sale of product	48,632	–
	Store and spares	314	4,877
	Other income	613,654	331,385
	Fee for services	529,670	537,953
Directors and key management personnel	Remuneration including benefits and perquisites	189,475	176,015
Retirement benefit plans	Retirement benefit expense	172,078	123,267

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Rupees in thousand)				
17 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	3,797,474	3,102,512	11,329,244	9,439,184
(Number of shares)				
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	1.81	1.48	5.39	4.49

	Nine Months ended	
	September 30, 2019	September 30, 2018
(Rupees in thousand)		
18 Cash generated from operations		
Profit before tax	15,966,507	14,511,565
Adjustments for:		
Depreciation on property, plant and equipment	1,814,296	1,443,415
Amortization of intangible assets	20,233	10,365
Finance cost	2,067,206	968,730
Provision for staff retirement benefits	121,551	79,018
Exchange loss on translation of foreign currency loan	166,435	184,296
Profit on short term loan to subsidiary and associated companies	(976,605)	(557,406)
Loss on remeasurement of investment - through profit or loss	96,011	-
Profit on saving accounts	(36,926)	(21,503)
Dividend income	(16,845)	-
Gain on disposal of property plant and equipment	(827)	(605)
	3,254,529	2,106,310
Operating cash flows before working capital changes	19,221,036	16,617,875
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stores and spares	(469,748)	(472,774)
Stock in trade	(1,638,586)	38,355
Trade debts	644,023	130,975
Advances, deposits, prepayments and other receivables	(6,813,571)	(1,590,213)
Increase in creditors, accrued and other liabilities	4,746,978	1,805,062
	(3,530,904)	(88,595)
	15,690,132	16,529,280

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

19 Financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Funds / Company's financial assets which are carried at fair value:

	September 30, 2019 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	462,105	–	–	462,105
Investment - FVTOCI	191,125	–	–	191,125
	653,230	–	–	653,230
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	429,346	–	–	429,346
Investment - available for sale	193,927	–	–	193,927
	623,273	–	–	623,273

20 Date of Authorization of Issue

These condensed interim financial statements have been authorized for issue on October 29, 2019 by the Board of Directors of the Company.

21 General

Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.



Chief Executive Officer



Director



Chief Financial Officer



**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL STATEMENTS**

for the nine months ended September 30, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

	Note	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2018: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2018: 2,100,000,000) Ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	57,319,099	51,777,612
		78,319,099	72,777,612
NON CURRENT LIABILITIES			
Long term finances	5	7,900,841	8,376,578
Deferred liabilities	6	15,611,014	15,426,838
Long term deposits		55,437	57,183
		23,567,292	23,860,599
CURRENT LIABILITIES			
Trade and other payables		28,475,666	18,069,248
Accrued finance cost		827,749	306,253
Short term finances - secured	7	5,622,648	5,494,802
Unpaid dividend		152,593	–
Unclaimed dividend		38,082	68,832
Current maturity of long term finances	5	7,626,575	7,630,942
		42,743,313	31,570,077
CONTINGENCIES & COMMITMENTS			
	8		
		144,629,704	128,208,288

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

		Un audited September 30, 2019	Audited December 31, 2018
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	94,796,697	91,718,705
Intangible assets	10	5,971,218	5,978,747
		100,767,915	97,697,452
Long term investments		165,459	145,802
Long term loan to associated Company		2,999,000	1,999,333
Long term deposits		267,882	254,820
		104,200,256	100,097,407
CURRENT ASSETS			
Stores and spares	11	6,472,410	5,833,825
Stock in trade	12	10,584,650	6,099,971
Trade debts		2,170,049	2,564,524
Short term loans		3,241,723	3,241,723
Advances, deposits, prepayments and other receivables		16,167,743	9,030,134
Short term investments		653,230	623,273
Cash and bank balances		1,139,643	717,431
		40,429,448	28,110,881
		144,629,704	128,208,288

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the nine months ended September 30, 2019

	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Rupees in thousand)					
Sales	13	17,225,706	11,935,681	51,238,878	35,566,278
Cost of sales	14	(11,559,233)	(5,170,053)	(30,135,228)	(15,483,843)
Gross profit		5,666,473	6,765,628	21,103,650	20,082,435
Distribution cost		(811,002)	(884,628)	(2,689,839)	(3,238,288)
Administrative expenses		(700,417)	(450,242)	(2,009,946)	(1,565,884)
		4,155,054	5,430,758	16,403,865	15,278,263
Finance cost	15	(944,215)	(417,264)	(2,526,354)	(1,227,430)
Other operating expenses		(343,259)	(445,018)	(1,396,206)	(1,239,312)
		2,867,580	4,568,476	12,481,305	12,811,521
Other income		260,436	158,125	723,786	377,367
Share of profit from Associate		4,318	13,121	16,701	43,718
Profit before tax		3,132,334	4,739,722	13,221,792	13,232,606
Taxation		(971,095)	(1,970,458)	(4,003,372)	(4,764,776)
Profit for the period		2,161,239	2,769,264	9,218,420	8,467,830
Earnings per share					
- basic and diluted (Rupees)	17	1.03	1.32	4.39	4.03

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

For the nine months ended September 30, 2019

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(Rupees in thousand)			
Profit for the period	2,161,239	2,769,264	9,218,420	8,467,830
Other Comprehensive Income:				
Items that may be reclassified subsequently to profit or loss:				
Deficit on remeasurement of investments classified as available for sale	–	–	–	(731)
Fair value through other comprehensive income (FVTOCI)	–	–	(2,722)	–
Related tax thereon	–	–	789	219
	–	–	(1,933)	(512)
Total comprehensive income for the period	2,161,239	2,769,264	9,216,487	8,467,318

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the nine months ended September 30, 2019

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurement of investment available for sale	Total
	Share premium	Unappropriated profit				
(Rupees in thousand)						
Balance at December 31, 2017 (Audited)	21,000,000	1,790,000	42,899,054	(42,819)	(1,237)	65,644,998
Profit for the period	-	-	8,467,830	-	-	8,467,830
Other comprehensive income						
Deficit on remeasurement of investments available for sale - net of tax	-	-	-	-	(512)	(512)
Total comprehensive income	-	-	8,467,830	-	(512)	8,467,318
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	-	-	(4,725,000)	-	-	(4,725,000)
Balance at September 30, 2018 (Un audited)	21,000,000	1,790,000	46,641,884	(42,819)	(1,749)	69,387,316
Balance at December 31, 2018 (Audited)	21,000,000	1,790,000	50,087,609	(95,846)	(4,151)	72,777,612
Profit for the period	-	-	9,218,420	-	-	9,218,420
Other comprehensive income:						
Deficit on remeasurement of investments FVTOCI - net of tax	-	-	-	-	(1,933)	(1,933)
Total comprehensive income	-	-	9,218,420	-	(1,933)	9,216,487
Transactions with owners:						
- Final dividend for the year ended December 31, 2018 @ Rs 1.75 per share	-	-	(3,675,000)	-	-	(3,675,000)
Balance at September 30, 2019 (Un audited)	21,000,000	1,790,000	55,631,029	(95,846)	(6,084)	78,319,099

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN AUDITED)

For the nine months ended September 30, 2019

	September 30, 2019	September 30, 2018	
Note	(Rupees in thousand)		
Cash flows from operating activities			
Cash generated from operations	18	14,358,386	16,318,309
Net decrease in long term deposits		(1,586)	(2,599)
Finance cost paid		(2,004,858)	(1,159,073)
Taxes paid		(2,884,693)	(1,618,339)
Employee retirement benefits paid		(45,326)	(38,682)
Net cash from operating activities		9,421,923	13,499,616
Cash flows from investing activities			
Additions in property, plant and equipment		(5,119,063)	(3,061,252)
Additions in intangible assets		(12,758)	(7,119)
Proceeds from disposal of property plant and equipment		1,083	1,338
Long term investment		-	(1,959)
Short term loan to associated company - net		-	(2,000,000)
Short term investment		(128,770)	-
Proceeds from short term investment		80	80
Dividend received		16,845	-
Profit received on short term loans and saving accounts		327,944	231,684
Net increase in long term loans and deposits		(13,220)	(137,462)
Net cash used in investing activities		(4,927,859)	(4,974,690)
Cash flows from financing activities			
Repayment of long term finances		(4,646,540)	(4,456,296)
Proceeds from long term finances		4,000,000	-
Dividend paid		(3,553,157)	(4,674,384)
Increase in short term finances - net		127,846	367,200
Net cash used in financing activities		(4,071,851)	(8,763,480)
Net increase / (decrease) in cash and cash equivalents		422,213	(238,554)
Cash and cash equivalents at the beginning of the period		717,430	832,088
Cash and cash equivalents at the end of the period		1,139,643	593,534

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

1. Legal Status and nature of business

Fatima Fertilizer Company Limited (the Holding Company) and its wholly owned subsidiary - Fatimafert Limited (FFT) collectively referred to as 'the Group' were incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company is listed on Pakistan Stock Exchange Limited. The control of FFT was transferred to the Holding Company on July 01, 2015.

The principal activity of the Holding Company and FFT is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals.

Registered offices of the Holding Company and FFT are located in Lahore, Pakistan. The manufacturing facilities of the Holding Company are located at Mukhtargarh, Sadiqabad, Pakistan and that of FFT is located near Chichoki Mallian at Sheikhpura Road.

The Board of Directors in their meeting held on October 15, 2018, have decided to amalgamate/merge wholly owned subsidiary, Fatimafert Limited into Fatima Fertilizer Company Limited with effect from January 01, 2019 subject to receipt of all requisite corporate and regulatory authorizations, consents and approvals.

2. Basis of preparation

- 2.1 These condensed interim consolidated financial statements of the Group for the nine months September 30, 2019 have been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions or directives issued under the Companies Act, 2017 have been followed.
- 2.2 These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2018. Comparative condensed interim consolidated statement of financial position is extracted from annual audited consolidated financial statements for the year ended December 31, 2018 and comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows are stated from un audited condensed interim consolidated financial statements for the nine months ended September 30, 2018.
- 2.3 These condensed interim consolidated financial statements are presented in Pak Rupees, which is the Group functional and presentation currency.

3. Accounting policies and estimates

Except of changes required by new accounting standards as described below, the accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Group for the year ended December 31, 2018.

3.1 New Accounting Standards effective for the period

Followings standards, interpretations and amendments to published approved accounting standards that are effective and relevant comprise of:

- IFRS 15 'Revenue from contracts with customers' replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition. It introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services
- IFRS 16 'Leases' replaces the previous lease standard: IAS 17 Leases. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.
- IFRS 9 'Financial Instruments' replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Management of the Group has assessed the changes laid down by these standards and determined that these do not have any significant impact on these condensed interim consolidated financial statements of the Group.

	Un audited September 30, 2019	Audited December 31, 2018
(Rupees in thousand)		
4 Reserves		
Capital reserve:		
Share premium	1,790,000	1,790,000
Revenue reserve:		
Unappropriated profit	55,631,029	50,087,609
Post retirement benefit obligation reserve	(95,846)	(95,846)
Deficit on remeasurement of investment - FVTOCI	(6,084)	(4,151)
	57,319,099	51,777,612

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

	Un audited September 30, 2019	Audited December 31, 2018
Note	(Rupees in thousand)	
5 Long term finances		
Fatima Fertilizer Company Limited		
Rated, Listed and Secured Ijarah Sukuk	5,250,000	6,300,000
Secured loans from Banking companies / Financial institutions	8,788,749	6,730,187
	14,038,749	13,030,187
Less: Current portion	6,137,908	6,142,276
	7,900,841	6,887,911
Fatimafert Limited		
Musharaka arrangement	1,488,667	2,977,333
Less: Current portion	1,488,667	1,488,666
	-	1,488,667
	7,900,841	8,376,578
5.1 Movement of Long term finances		
Opening balance	16,007,520	20,892,334
Disbursements	4,000,000	2,156,282
	20,007,520	23,048,616
Repayments	(4,646,539)	(7,396,384)
Exchange loss on translation of foreign currency loan	166,435	355,288
Closing Balance	15,527,416	16,007,520
6 Deferred liabilities		
Deferred taxation	14,763,797	14,666,815
Employee retirement benefits	6.1 847,217	760,023
	15,611,014	15,426,838
6.1 Employee retirement benefits		
Gratuity	584,033	507,580
Accumulating compensated absences	263,184	252,443
	847,217	760,023

7 Short term finances

The Group has obtained short term financing facilities from various banks for working capital requirements in the nature of Running Finance, Cash Finance and Financing against Imported Merchandise.

The facilities are secured by Pari Passu charge on present and future current assets of the Group with 25% margin over financed amount, pledge of raw material and finished goods and personal guarantees of sponsoring directors.

These facilities carry mark-up ranging from 10.46% to 15.30% (December 31, 2018: 5.78% to 11.40%) per annum for Running Finance and Cash Finance and 10.76% to 14.85% (December 31, 2018: 7.28% to 11.71%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

At September 30, 2019, there is no material change in the status of contingencies as reported in the notes to the financial statements of the Group for the year ended December 31, 2018, except for the following:

Fatima Fertilizer Company Limited

- i Deciding on the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) [CIR(A)] has annulled the order passed under section 122(5A) of Income Tax Ordinance, 2001, by the Additional Commissioner Inland Revenue (ACIR) Multan. ACIR had raised a demand of Rs 1,592 million against the Company by disallowing and adding back various admissible deductions claimed by the Company towards its taxable income for Tax year 2017.
- ii Deciding on the appeal filed by the Company, the CIR(A) has annulled the order passed under section 122(5) of Income Tax Ordinance, 2001, by the Deputy Commissioner Inland Revenue (DCIR) Multan. DCIR had raised a demand of Rs 1,055 million against the Company by declaring the Company's Trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for Tax year 2011.
- iii The Company has preferred an appeal before the CIR(A) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990 in respect of cases selected for audit u/s 25 of Sales Tax Act, 1990 for the period from July 2014 to June 2015 thereby framing an impugned tax demand of Rs 131 million. The case has not yet been fixed for hearing as of date.
- iv The Company has filed an appeal before the CIR(A) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990. The assessing officer had raised a demand of Rs 501 million against the Company by allegedly charging sales tax on advances received from customers. The case has not yet been fixed for hearing as of date.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

	Note	Un audited September 30, 2019	Audited December 31, 2018	
(Rupees in thousand)				
8.2 Commitments				
8.2.1 Fatima Fertilizer Company Commitments in respect of:				
(i)	Contracts for capital expenditure	540,453	1,844,529	
(ii)	Contracts for other than capital expenditure	578,010	850,480	
(iii)	The amount of future payments under non cancellable operating leases:			
	Not later than one year	282,923	273,053	
	Later than one year but not later than five years	384,951	217,901	
		667,874	490,954	
8.2.2 Fatimafert Limited commitments in respect of:				
	Letters of credit for purchase of DAP and spares	1,974,376	10,657	
9 Property, plant and equipment				
	Operating fixed assets- tangible	9.1	86,025,708	84,941,860
	Capital work in progress	9.2	8,770,989	6,776,845
			94,796,697	91,718,705
9.1 Movement of operating fixed assets- tangible				
	Opening book value		84,941,860	83,626,121
	Additions during the period	9.1.1	3,123,475	4,892,484
	Less: book value of disposals during the period		256	26
			88,065,079	88,518,579
	Less: depreciation charged during the period		2,039,371	3,576,719
	Closing book value		86,025,708	84,941,860
9.1.1 Additions during the period				
	Freehold land		269,429	–
	Building on freehold land		499,413	95,234
	Building on leasehold land		–	30,445
	Plant and machinery		2,041,358	2,970,537
	Aircraft		–	1,567,285
	Catalysts		206,708	–
	Furniture and fixtures		1,959	9,456
	Office equipment		6,064	12,102
	Electric installations and appliances		36,672	57,207
	Computers		14,461	112,917
	Vehicles		47,411	37,301
			3,123,475	4,892,484

Un audited Audited
September 30, 2019 December 31, 2018

(Rupees in thousand)

9.2 Capital work in progress		
Civil works	303,109	743,264
Plant and machinery	2,639,332	2,005,499
Capital stores	653,989	731,783
Advances:		
- Freehold land	5,086	187,879
- Civil works	55,263	2,724
- Plant and machinery	5,114,210	3,105,696
	5,174,559	3,296,299
	8,770,989	6,776,845
9.2.1 Movement of capital work in progress		
Opening balance	6,776,845	3,078,678
Addition during the period	3,619,402	6,457,762
	10,396,247	9,536,440
Less: Capitalization during the period	1,623,814	2,753,913
Provision for obsolescence for Capital Stores	1,444	5,682
Closing balance	8,770,989	6,776,845
10 Intangible assets		
Opening book value	5,978,747	5,938,386
Addition during the period	12,758	57,655
	5,991,505	5,996,041
Less: amortization charged during the period	20,287	17,294
Closing book value	5,971,218	5,978,747

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

	Un audited September 30, 2019	Audited December 31, 2018
	(Rupees in thousand)	
11 Stores and spares		
Stores	639,205	491,542
Spares	4,839,095	4,471,046
Catalyst and chemicals	1,171,729	1,041,361
	6,650,029	6,003,949
Less: Provision for obsolete items	177,619	170,124
	6,472,410	5,833,825
12 Stock in trade		
Raw material {including in transit Rs 2,104.522 million (December 31, 2018: Rs 14.831 million)}	2,949,919	1,474,847
Packing material	79,369	4,726
Mid Products		
Ammonia	196,611	195,876
Nitric Acid	24,447	17,740
Others	402	424
	221,460	214,040
Finished goods		
- own manufactured		
Urea	3,340,350	847,362
NP	2,443,228	2,004,330
CAN	360,591	577,154
Emission reductions	78,634	86,085
	6,222,803	3,514,931
- purchased for resale		
DAP	1,111,099	891,427
	10,584,650	6,099,971

	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		(Rupees in thousand)			
13 Sales					
Local sales	13.1	17,225,706	11,921,530	51,238,878	34,096,119
Export sales		–	14,151	–	1,470,159
		17,225,706	11,935,681	51,238,878	35,566,278
13.1 Local sales					
Fertilizer Products:					
- own manufactured		16,197,862	11,771,200	49,500,194	34,891,515
- purchased for resale		1,379,500	533,803	2,552,721	992,136
Mid products		173,757	151,671	621,792	431,856
Subsidy from Government of Pakistan		–	–	–	300,988
Certified emission reductions		19,905	–	132,839	–
		17,771,024	12,456,674	52,807,546	36,616,495
Less: Sales Tax		370,349	265,444	1,113,274	1,923,475
Discounts		174,969	269,700	455,394	596,901
		17,225,706	11,921,530	51,238,878	34,096,119
14 Cost of sales					
Raw material consumed		7,302,825	2,217,438	17,430,240	5,287,703
Packing material consumed		339,579	276,907	919,398	752,298
Salaries, wages and other benefits		788,798	655,826	2,420,090	2,086,546
Fuel and power		2,127,305	787,090	5,028,333	2,236,741
Chemicals and catalyst consumed		131,415	159,493	490,976	420,586
Stores and spares consumed		276,510	183,000	870,757	675,266
Technical assistance		12,358	9,011	82,299	34,187
Repair and maintenance		178,858	359,281	843,052	884,579
Insurance		63,262	52,068	187,941	148,568
Travelling and conveyance		41,190	27,902	112,869	86,266
Rent, rates and taxes		16,932	9,442	41,669	36,821
Vehicle running and maintenance		25,340	16,463	68,605	49,139
Depreciation		623,776	521,254	1,926,060	1,563,414
Others		22,552	29,271	95,461	107,304
Manufacturing cost		11,950,700	5,304,446	30,517,750	14,369,418
Opening stock of mid products		242,894	60,847	214,040	80,380
Closing stock of mid products		(221,460)	(57,892)	(221,460)	(57,892)
Cost of goods manufactured		11,972,134	5,307,401	30,510,330	14,391,906
Opening stock of finished goods		4,587,271	1,561,480	3,514,931	2,451,009
Closing stock of finished goods		(6,222,803)	(2,137,046)	(6,222,803)	(2,137,046)
Cost of sales - own manufactured		10,336,602	4,731,835	27,802,458	14,705,869
Cost of sales - purchased for resale		1,222,631	438,218	2,332,770	777,974
		11,559,233	5,170,053	30,135,228	15,483,843

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Rupees in thousand)				
15 Finance cost				
Markup on long term finances	480,468	342,767	1,321,379	1,072,953
Markup on short term finances	419,449	67,078	960,529	112,943
Bank charges and others	44,298	7,419	244,446	41,534
	944,215	417,264	2,526,354	1,227,430

16 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Group. The Group in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

		Nine Months ended	
		September 30, 2019	September 30, 2018
(Rupees in thousand)			
Relationship with the company	Nature of transaction		
Associated companies	Purchase of raw / packing material	1,014,887	870,271
	Short term loan	-	2,000,000
	Miscellaneous expenses	33,301	158,623
	Purchase of Aircraft and related accessories	-	1,599,997
	Sale of product	48,632	-
	Store and Spares	314	4,877
	Other income	613,654	331,385
	Fee for services	799,166	545,638
Directors and key management personnel	Remuneration including benefits and perquisites	189,475	176,015
Retirement benefit plans	Retirement benefit expense	202,960	152,596

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Rupees in thousand)				
17 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	2,161,239	2,769,264	9,218,420	8,467,830
(Number of shares)				
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	1.03	1.32	4.39	4.03

	Nine Months ended	
	September 30, 2019	September 30, 2018
(Rupees in thousand)		
18 Cash generated from operations		
Profit before tax	13,221,792	13,232,606
Adjustments for :		
Depreciation on property, plant and equipment	2,039,369	1,659,468
Amortization of intangible assets	20,286	10,437
Finance cost	2,526,354	1,227,431
Provision for staff retirement benefits	132,519	89,451
Provision for slow moving stores, spares and loose tools	8,938	12,350
Exchange loss on translation of foreign currency loan	166,435	184,296
Profit on short term loan to related parties	(613,654)	(331,385)
Loss on remeasurement of investment - through profit or loss	96,011	-
Share of profit from Associates	(16,701)	(43,718)
Profit on saving accounts	(36,929)	(21,511)
Dividend Income	(16,845)	-
Gain on disposal of property plant and equipment	(827)	(1,313)
	4,304,956	2,785,506
Operating cash flows before working capital changes	17,526,748	16,018,112
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(646,079)	(469,700)
Stock in trade	(4,484,679)	192,132
Trade debts	394,475	253,130
Advances, deposits, prepayments and other receivables	(7,863,588)	(1,272,894)
Increase in creditors, accrued and other liabilities	9,431,509	1,597,529
	(3,168,362)	300,197
	14,358,386	16,318,309

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN AUDITED)

For the nine months ended September 30, 2019

19 Financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Funds / Company's financial assets which are carried at fair value:

	September 30, 2019 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	462,105	–	–	462,105
Investment - FVTOCI	191,125	–	–	191,125
	653,230	–	–	653,230
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	429,346	–	–	429,346
Investment - available for sale	193,927	–	–	193,927
	623,273	–	–	623,273

20 Date of Authorization of Issue

These condensed interim consolidated financial statements have been authorized for issue on October 29, 2019 by the Board of Directors of the Holding Company.

21 General

Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.



Chief Executive Officer



Director



Chief Financial Officer

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










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