



Leading in Agriculture **TRANSFORMATION**

3rd Quarterly Report
2020

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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. Muhammad Kashif Habib
Director

Ms. Anja E. Nielsen
Independent Director

Mr. Tariq Jamali
Independent Director

Director Finance and Chief Financial Officer

Mr. Asad Murad

General Counsel and Company Secretary

Mr. Omair Ahmed Mohsin
(communications@fatima-group.com)

Key Management

Mr. Arif-ur-Rehman
Chief Manufacturing Officer

Mr. Ausaf Ali Qureshi
Director Special Projects

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. Atif Zaidi
Chief Information Officer

Mr. Salman Ahmad
Head of Internal Audit

Mr. Pervez Fateh
G.M. Manufacturing

Mr. Faisal Jamal
Corporate HSE & Technical Support Manager

Audit Committee Members

Mr. Tariq Jamali
Chairman

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Ms. Anja E. Nielsen
Member

HR and Remuneration Committee Members

Ms. Anja E. Nielsen
Chairperson

Mr. Muhammad Kashif Habib
Member

Mr. Fawad Ahmed Mukhtar
Member

Nomination and Risk Management Committee Members

Mr. Fazal Ahmed Sheikh
Chairman

Mr. Muhammad Kashif Habib
Member

Mr. Tariq Jamali
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) 0800-CDCPL (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
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
Industrial & Commercial Bank of China (ICBC)
JS Bank Limited

Registered Office / Head Office

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

Plant Sites

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

Khanewal Road, Multan, Pakistan
Tel: 061 – 90610000
Fax: 061 – 92290021

28-KM Sheikhpura Road, Chichoki Mallian,
Pakistan
Tel: 042 – 37319200 - 99
Fax: 042 – 33719295

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 the nine months ended September 30, 2020 along with brief overview of operational and financial performance of the Company.

Market Overview - Global

Nitrogen

China took over the export market with over 1 million MT after its domestic season was over despite challenges of bad weather conditions and shortage of workers at Chinese ports. India bought around 3.6 million MT of Urea in back to back tenders. Farmers in India used more fertilizers, especially Urea, because of good rainfall. Indonesia and Malaysia were regular suppliers with tonnes moving to their usual contract markets, Southeast Asia and to India. Demand from South Asian countries such as Sri Lanka and Bangladesh were also strong.

Phosphates

Supply from Asia has been stable in third quarter for phosphates as China returned to full production following lockdowns due to the Coronavirus pandemic. Phosphates producers in China focused on the export market and took advantage of rising prices. Suppliers concentrated on demand in Southeast Asia, especially as other regions did not show much activity. Chinese producers also started offering DAP/MAP at higher prices, as global availability started to tighten for the third quarter. Phosphates demand increased in the same quarter as India and Pakistan were active in the market. Pakistani buyers also returned to the market for DAP cargoes for prompt shipment.

Market Overview – Pakistan

The 3rd quarter of year 2020 closed with a national total industry offtake of 2.7 million MT, improving 20% in comparison to the same period of 2019. The increase in sales were primarily due to improved conditions after uncertainties of COVID-19 pandemic. DAP sales mainly contributed to this increase resulting in 44% higher volumes which closed at 0.75 million MT in comparison with same period last year. Price hike trend in international market during third quarter led to these increased sales of DAP in the local market during first two months of this quarter. In addition, at national level offtake of Urea remained at 1.54 million MT representing 3% increase from same period last year.

Company Performance

After the challenging start of the year, fertilizer offtake has improved during the current quarter mainly due to improved market dynamics and stable economic conditions. During the nine months under review, overall sales volume reduced by 8% as compared to previous period mainly owing to challenges faced due to COVID-19 pandemic and some price uncertainties in the first half of the year.

The decline in sales volumes of Urea, CAN and NP was offset by significant increase in sales of DAP due to increase in demand. Urea, CAN and NP sales volume decreased by 24%, 7% and 12% respectively as compared to same period last year. Decline in Urea sales was mainly attributable to decrease in production at Sheikhpura plant of the Company which remained closed due to discontinuation of supply of gas by Government for first seven months of the current year, which was operational in corresponding period last year.

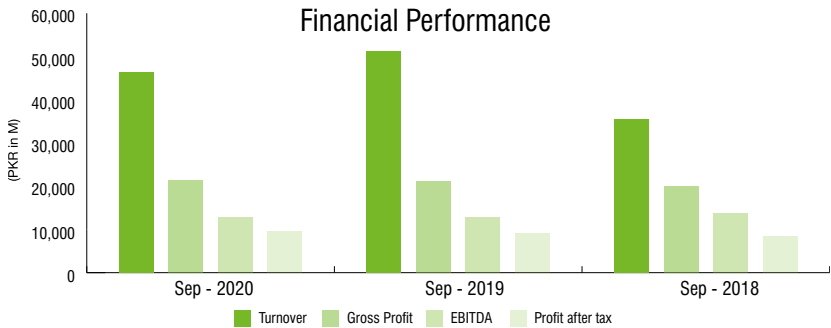
Products	Sales Volume	
	Jan to Sep – 2020	Jan to Sep – 2019
	("000" Tons)	
Urea	438	574
CAN	341	367
NP	290	329
DAP	132	36
Total	1,201	1,306

Overall production volumes were lower by 7% as compared to same period last year mainly due to Urea for the reasons mentioned above. However, CAN and NP production volumes were higher by 13%. Moreover, your Company has also completed the transaction of acquisition of operating plants of Pakarab Fertilizers Limited, thus obtaining production from Multan plant as well with effect from September 01, 2020. With all three plants in operations at Sadiqabad, Multan and Sheikhpura, your Company has started serving the nation and its stakeholders with cumulative annual name plate capacity of 2.57 million MT per year; Sadiqabad Plant 1.28 million MT, Multan Plant 0.85 million MT and Sheikhpura Plant 0.44 million MT.

Products	Production Volume	
	Jan to Sep – 2020	Jan to Sep – 2019
	("000" Tons)	
Urea	448	633
CAN	368	336
NP	404	346
Total	1,220	1,315

Your Company posted total Revenue of PKR 46.4 billion compared to PKR 51.2 billion posted in same period last year. Cost of Sales during current period reduced by 17% compared to same period in last year mainly due to release of subsidy by Government to SNGPL against RLNG supply to Sheikhpura plant in 2019 amounting to PKR 5.7 billion. Besides other factors, reduction in Revenue and Cost of Sales is primarily associated to limited supply of gas at Sheikhpura plant till end of July 2020.

Owing to above factors, Gross Profit of the Company during the current period improved to PKR 21.37 billion from PKR 21.10 billion in same period last year. The Company posted Profit before Tax of PKR 13.64 billion and Profit after Tax of PKR 9.56 billion compared to PKR 13.22 billion and PKR 9.22 billion respectively of the same period last year. Company's Earnings per Share (EPS) improved slightly to PKR 4.55 Per Share against PKR 4.39 Per Share in the corresponding period last year.



Since the beginning of the year 2020, key challenge remained to ensure business continuity and well-being of the Company's stakeholders during COVID-19 pandemic environment. You company remained vigilant to the evolving situation and implemented stringent checks, controls and audits to ensure continuous business operations. COVID-19 precautionary measures are kept in strict practice at all locations of the company as advised by experts, including but not limited to use of face mask, temperature monitoring at entry gates and assurance of social distancing.

Fatima Group's Learning and Development Centre (LDC) organized 7,463 Manhours trainings during the nine months period. LDC also developed and launched Capability and Capacity enhancement programs for valuable employees of the Company.

Sadiqabad plant of the Company has achieved combined 56.76 Safe Million Manhours. World class performance of Sadiqabad Plant in HSE has been acknowledged by British Safety Council (BSC) by awarding Overall Country Winner in International Safety Award and winning RoSPA (Royal Society for the Prevention of Accidents) Gold Award for the 4th consecutive time. In addition, next phase of Safety Management Information System was made live in August 2020 with enhanced features for Management Safety Audits, Incident Investigation and Process Hazard Analysis modules.

Fatima CSR committee remained fully focused to uplift the nearby deserving community and fulfill their basic needs especially during pandemic lockdown. In addition, our efforts were recognized at following national forums and acquired awards for community development initiatives/projects competing several national and multinational companies.

1. National Forum for Environment and Health (NFEH) acknowledged us with two awards for the 5th consecutive Year
2. Professional Network Forum acknowledged us with awards in the category of Health and Education during 9th International CSR Summit

Future Outlook

In the recent days, new wave of pandemic COVID-19 has evolved with growing number of cases in Pakistan and it is expected that some uncertainties will remain till year end. However, with supportive Government policies, demand and prices of fertilizers are expected to remain stable for the remainder of the year.

Gas supply to Sheikhpura plant has been restored which is supporting your Company to improve much needed supply of Urea to farmers in the country. Sadiqabad and Multan plants of the Company are operating smoothly ensuring supply of Urea and other much needed value added fertilizers to farmers during upcoming peak Rabi seasons.

Owing to above factors, with efficient and uninterrupted plant operations and its strong financial position, your Company is fully geared up to serve the farmers and nation via steady operating performance. The Board will remain focused towards offering stable returns to the shareholders through continued cost controls, efficiency enhancement and various other initiatives of the Company.

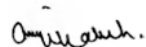
Acknowledgements

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 strengthened the Company.

For and on behalf of the Board



Fawad Ahmed Mukhtar
Chief Executive Officer



Arif Habib
Chairman

Lahore
October 28, 2020



CONDENSED INTERIM
FINANCIAL STATEMENTS
for the nine months ended
September 30, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	Note	Un audited September 30, 2020	Audited December 31, 2019
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,700,010,000 (December 31, 2019: 2,700,010,000) shares of Rs 10 each		27,000,100	27,000,100
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2019: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	62,371,991	57,008,298
		83,371,991	78,008,298
NON CURRENT LIABILITIES			
Long term finances	5	6,029,302	6,253,636
Lease liabilities		1,636,429	278,630
Deferred liabilities	6	20,457,653	19,942,553
Long term deposits		72,559	61,267
		28,195,943	26,536,086
CURRENT LIABILITIES			
Trade and other payables		22,206,643	26,483,859
Accrued finance cost		434,241	836,743
Short term finances - secured	7	14,145,692	16,264,983
Current maturity of lease liabilities		595,071	571,301
Unclaimed dividend		44,238	189,950
Current maturity of long term finances	5	7,784,885	6,225,085
		45,210,770	50,571,921
CONTINGENCIES & COMMITMENTS			
	8		
		156,778,704	155,116,305

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.

		Un audited September 30, 2020	Audited December 31, 2019
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	103,889,857	100,720,660
Intangible assets	10	5,988,356	5,973,548
Investment property	11	736,394	627,573
		110,614,607	107,321,781
Long term investments		196,737	174,846
Long term loan to associated company		2,999,000	2,999,000
Long term deposits		141,687	81,763
		113,952,031	110,577,390
CURRENT ASSETS			
Stores and spares	12	9,502,779	7,713,456
Stock in trade	13	13,367,004	11,517,911
Trade debts		3,589,017	7,206,970
Short term loans		3,241,723	3,241,723
Advances, deposits, prepayments and other receivables		10,036,029	13,813,982
Short term investments		2,401,036	530,134
Cash and bank balances		689,085	514,739
		42,826,673	44,538,915
		156,778,704	155,116,305



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the nine months ended September 30, 2020

Note	Three months ended		Nine months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	
(Rupees in thousand)					
Sales	14	21,615,695	17,225,706	46,448,423	51,238,878
Cost of sales	15	(15,426,171)	(11,559,233)	(25,073,685)	(30,135,228)
Gross profit		6,189,524	5,666,473	21,374,738	21,103,650
Distribution cost		(1,206,429)	(811,002)	(2,777,209)	(2,689,839)
Administrative expenses		(853,650)	(700,417)	(2,407,711)	(2,009,946)
		4,129,445	4,155,054	16,189,818	16,403,865
Finance cost	16	(716,257)	(944,215)	(2,901,676)	(2,526,354)
Other operating expenses		(359,624)	(343,259)	(1,219,326)	(1,396,206)
		3,053,564	2,867,580	12,068,816	12,481,305
Other income		519,990	260,436	1,548,445	723,786
Share of profit from associate		5,577	4,318	18,607	16,701
Profit before tax		3,579,131	3,132,334	13,635,868	13,221,792
Taxation		(1,177,574)	(971,095)	(4,073,358)	(4,003,372)
Profit for the period		2,401,557	2,161,239	9,562,510	9,218,420
Earnings per share					
- basic and diluted (Rupees)	18	1.14	1.03	4.55	4.39

The annexed explanatory notes from 1 to 23 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, 2020

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Rupees in thousand)			
Profit for the period	2,401,557	2,161,239	9,562,510	9,218,420
Items that may be reclassified subsequently to profit or loss:				
Gain / (deficit) on remeasurement of investment classified as				
Fair value through other comprehensive income (FVTOCI)	(1,247)	–	1,666	(2,722)
Related tax thereon	361	–	(483)	789
Other comprehensive income - net of tax	(886)	–	1,183	(1,933)
Total comprehensive income for the period	2,400,671	2,161,239	9,563,693	9,216,487

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

For the nine months ended September 30, 2020

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurement of investment available for sale / FVTOCI	Total
		Share premium	Unappropriated profit			
(Rupees in thousand)						
Balance at December 31, 2018 (Adjusted)	21,000,000	1,790,000	46,904,969	(95,846)	(4,151)	69,594,972
Profit for the period	-	-	9,218,420	-	-	9,218,420
Other comprehensive loss	-	-	-	-	(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	52,448,389	(95,846)	(6,084)	75,136,459
Balance at December 31, 2019 (Audited)	21,000,000	1,790,000	55,299,651	(76,300)	(5,053)	78,008,298
Profit for the period	-	-	9,562,510	-	-	9,562,510
Other comprehensive income	-	-	-	-	1,183	1,183
Total comprehensive income	-	-	9,562,510	-	1,183	9,563,693
Transactions with owners:						
- Final dividend for the year ended December 31, 2019 @ Rs 2 per share	-	-	(4,200,000)	-	-	(4,200,000)
Balance at September 30, 2020 (Un audited)	21,000,000	1,790,000	60,662,161	(76,300)	(3,870)	83,371,991

The annexed explanatory notes from 1 to 23 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, 2020

	Note	Nine months ended	
		September 30, 2020	September 30, 2019
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	19	17,428,715	14,358,386
Net increase / (decrease) in long term deposits		11,292	(1,586)
Finance cost paid		(3,168,983)	(2,004,858)
Taxes paid		(3,002,832)	(2,884,693)
Employee retirement benefits paid		(65,869)	(45,326)
Net cash from operating activities		11,202,323	9,421,923
Cash flows from investing activities			
Additions in property, plant and equipment		(381,800)	(5,119,063)
Additions in investment property		(109,497)	-
Additions in intangible assets		(39,418)	(12,758)
Proceeds from disposal of property, plant and equipment		485	1,083
Short term investments - net		(1,869,236)	(128,690)
Profit received on loans and saving accounts		201,880	327,944
Dividend received		27,070	16,845
Increase in long term deposits - net		(59,924)	(13,220)
Net cash used in investing activities		(2,230,440)	(4,927,859)
Cash flows from financing activities			
Proceeds from long term finances		1,218,875	4,000,000
Repayment of long term finances		(3,318,108)	(4,646,540)
Repayment of lease liabilities		(233,301)	-
Dividend paid		(4,345,712)	(3,553,157)
Net (decrease) / increase in short term finances		(2,119,291)	127,846
Net cash used in financing activities		(8,797,537)	(4,071,851)
Net increase in cash and cash equivalents		174,346	422,213
Cash and cash equivalents at the beginning of the period		514,739	717,430
Cash and cash equivalents at the end of the period		689,085	1,139,643

The annexed explanatory notes from 1 to 23 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, 2020

1 Legal Status and nature of business

- 1.1 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, Khanewal Road Multan and near Chichoki Mallian, at Sheikhpura Road, Pakistan.
- 1.2 After merger of Fatimafert Limited (FFT), a wholly owned subsidiary, into the Company, the consolidated financial statements are no longer required.

2 Basis of preparation

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of 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 therefore be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2019. Comparative condensed interim statement of financial position is extracted from annual audited financial statements for the year ended December 31, 2019 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 consolidated financial statements for the nine months ended September 30, 2019.
- 2.3 These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 Significant accounting policies and estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of this 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, 2019.

	Un audited September 30, 2020	Audited December 31, 2019
Note	(Rupees in thousand)	
4 Reserves		
Capital reserve:		
Share premium	1,790,000	1,790,000
Revenue reserve:		
Unappropriated profit	60,662,161	55,299,651
Post retirement benefit obligation reserve	(76,300)	(76,300)
Deficit on remeasurement of investment		
Fair value through other comprehensive income (FVTOCI)	(3,870)	(5,053)
	62,371,991	57,008,298
5 Long term finances		
Rated, listed and secured Ijarah Sukuk Certificates	3,150,000	4,200,000
Secured loans from banking companies / financial institutions	10,664,187	8,278,721
	13,814,187	12,478,721
Less: Current portion	7,784,885	6,225,085
	6,029,302	6,253,636
5.1 Movement of long term finances		
Opening balance	12,478,721	16,007,520
Disbursements during the period / year	4,593,875	4,000,000
Repayments during the period / year	(3,318,108)	(7,685,021)
Exchange loss on translation of foreign currency loan	59,699	156,222
Closing balance	13,814,187	12,478,721
6 Deferred liabilities		
Deferred taxation	19,510,981	19,069,420
Employee retirement benefits	6.1 946,672	873,133
	20,457,653	19,942,553
6.1 Employee retirement benefits		
Gratuity	666,079	595,392
Accumulating compensated absences	280,593	277,741
	946,672	873,133

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

For the nine months ended September 30, 2020

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.

The 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 mark up ranging from 7.13% to 15.16% (December 31, 2019: 10.46% to 15.16%) per annum for Running Finance and Cash Finance and 7.76% to 14.56% (December 31, 2019: 10.76% to 14.85%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

As at September 30, 2020, 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, 2019, except for the following:

- (i) The rectification application filed by the Company before the Appellate Tribunal Inland Revenue (ATIR) Lahore has succeeded as the ATIR has held that the allegations of short payment of sales tax and suppression of production are without any lawful basis and are not sustainable in the eyes of law thereby the demand of Rs 628 million stands deleted.
- (ii) Deciding on the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) [CIR(A)] has set aside the order passed under section 11 of Sales Tax Act, 1990 (STA) wherein the assessing officer had raised the demand of Rs 501 million against the Company by allegedly charging sales tax on advances received from customers.
- (iii) Deciding on the appeal filed by the Company, the CIR(A) has set aside the order passed under section 11 of Sales Tax Act wherein the assessing officer had raised the demand of Rs 117 million against the Company on account of sales tax audit conducted u/s 72B of STA for the period from July 2013 to June 2014.

Un audited
September 30, 2020 Audited
December 31, 2019
(Rupees in thousand)

8.2 Commitments in respect of:

(i)	Contracts for capital expenditure	1,292,300	314,005
(ii)	Contracts for other than capital expenditure	277,540	592,687
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:		
	Not later than one year	212,914	316,401
	Later than one year but not later than five years	242,006	350,795
		454,920	667,196

		Un audited September 30, 2020	Audited December 31, 2019
	Note	(Rupees in thousand)	
9 Property, plant and equipment			
Operating fixed assets	9.1	100,332,322	87,108,526
Capital work in progress	9.2	3,557,535	13,612,134
		103,889,857	100,720,660
9.1 Movement of operating fixed assets			
Opening book value		87,108,526	84,941,860
Additions during the period / year	9.1.1	15,296,053	4,961,605
		102,404,579	89,903,465
Less: Depreciation charged during the period / year		2,067,176	2,794,600
Book value of disposals during the period* / year		5,081	339
Closing book value		100,332,322	87,108,526

* This includes disposal of right of use asset amounting to Rs 4.98 million on termination of lease contract.

		Un audited September 30, 2020	Audited December 31, 2019
		(Rupees in thousand)	
9.1.1 Additions during the period / year			
Freehold land		36,588	809,007
Building on freehold land		46,516	499,413
Plant and machinery		13,395,355	2,142,511
Catalysts		128,514	314,497
Furniture and fixtures		1,566	3,370
Office equipment		66,762	6,140
Electric installations and appliances		20,584	49,143
Computers		47,361	16,750
Vehicles		68,153	52,188
Right of use assets		1,484,654	1,068,586
		15,296,053	4,961,605
9.2 Capital work in progress			
Civil works		357,670	337,144
Plant and machinery		1,434,796	3,024,012
Capital stores		1,502,826	1,375,255
Advances:			
- Land		12,975	–
- Civil works		33,025	–
- Plant and machinery		216,243	8,875,723
		262,243	8,875,723
		3,557,535	13,612,134

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

For the nine months ended September 30, 2020

	Un audited September 30, 2020	Audited December 31, 2019
(Rupees in thousand)		
9.2.1 Movement of capital work in progress		
Opening balance	13,612,134	6,776,845
Additions during the period / year	1,014,849	8,542,921
	14,626,983	15,319,766
Less: Capitalization during the period / year	11,068,374	1,705,351
Provision for obsolescence for capital stores	1,074	2,281
Closing balance	3,557,535	13,612,134
10 Intangible assets		
Opening book value	5,973,548	5,978,747
Additions during the period / year	39,418	22,365
	6,012,966	6,001,112
Less: Amortization charged during the period / year	24,610	27,564
Closing book value	5,988,356	5,973,548
11 Investment Property		
Opening book value	627,573	–
Additions during the period / year	109,497	627,650
	737,070	627,650
Less: Depreciation charged during the period / year	676	77
Closing book value	736,394	627,573
12 Stores and spares		
Stores	313,032	406,839
Spares	5,516,076	4,766,262
Catalyst and chemicals	3,673,671	2,540,355
	9,502,779	7,713,456

Un audited
September 30, 2020 Audited
December 31, 2019

(Rupees in thousand)

13 Stock in trade

Raw material {including in transit Rs 1,188 million (December 31, 2019: Rs 1,508 million)}	3,062,939	4,778,788
Packing material	69,827	91,502
Mid products		
Ammonia	183,894	181,244
Nitric Acid	20,626	22,152
Others	9,263	441
	213,783	203,837
Finished goods		
Urea	2,733,906	2,332,970
NP	3,602,141	301,575
CAN	619,999	132,649
Certified emission reductions	101,866	84,286
	7,057,912	2,851,480
Purchased for resale	2,962,543	3,592,304
	13,367,004	11,517,911

Three months ended

Nine months ended

September 30,
2020

September 30,
2019

September 30,
2020

September 30,
2019

Note

(Rupees in thousand)

14 Sales

		Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue from contracts with customers					
Local sales	14.1	21,615,695	17,205,801	46,297,936	51,106,039
Export sales - certified emission reductions		-	19,905	150,487	132,839
		21,615,695	17,225,706	46,448,423	51,238,878
14.1 Local sales					
Fertilizer products:					
- own manufactured		17,299,238	16,197,862	38,399,922	49,500,194
- purchased for resale		5,144,660	1,379,500	9,203,178	2,552,721
Mid products		171,881	173,757	542,841	621,792
		22,615,779	17,751,119	48,145,941	52,674,707
Less: Sales tax		465,833	370,349	1,025,468	1,113,274
Discounts		534,251	174,969	822,537	455,394
		21,615,695	17,205,801	46,297,936	51,106,039

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

For the nine months ended September 30, 2020

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Note	(Rupees in thousand)			
15 Cost of sales				
Raw material consumed	6,217,781	7,302,825	11,866,659	17,430,240
Packing material consumed	321,816	339,579	834,154	919,398
Salaries, wages and other benefits	1,186,540	788,798	2,841,941	2,420,090
Fuel and power	1,896,560	2,127,305	3,905,801	5,028,333
Chemicals and catalyst consumed	261,385	131,415	636,381	490,976
Stores and spares consumed	461,853	276,510	1,173,661	870,757
Technical assistance	71,861	12,358	128,552	82,299
Repair and maintenance	657,222	178,858	1,334,828	843,052
Insurance	168,529	63,262	438,835	187,941
Travelling and conveyance	24,873	41,190	85,919	112,869
Rent, rates and taxes	70,051	16,932	124,541	41,669
Vehicle running and maintenance	22,678	25,340	59,224	68,605
Depreciation	678,813	623,776	1,911,239	1,926,060
Others	1,607,324	22,552	1,644,339	95,461
Manufacturing cost	13,647,286	11,950,700	26,986,074	30,517,750
Opening stock of mid products	110,003	242,894	203,837	214,040
Closing stock of mid products	(213,783)	(221,460)	(213,783)	(221,460)
Cost of goods manufactured	13,543,506	11,972,134	26,976,128	30,510,330
Opening stock of finished goods	4,867,499	4,587,271	2,851,480	3,514,931
Closing stock of finished goods	(7,057,912)	(6,222,803)	(7,057,912)	(6,222,803)
Cost of sales - own manufactured	11,353,093	10,336,602	22,769,696	27,802,458
Cost of sales - purchased for resale	4,494,062	1,222,631	8,045,598	2,332,770
Subsidy on RLNG released by GOP to SNGPL	15.1 (420,984)	–	(5,741,609)	–
	15,426,171	11,559,233	25,073,685	30,135,228

15.1 This consists of subsidy released by Government of Pakistan (GOP) to SNGPL, as the difference between full RLNG price billed to the Company (Sheikhupura Plant) by SNGPL in Year 2019 and the Gas price capped by GOP for fertilizer plants operating on RLNG.

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(Rupees in thousand)				
16 Finance cost				
Markup on long term finances	278,366	480,468	1,059,402	1,321,379
Markup on short term finances	349,596	419,449	1,346,028	960,529
Interest on leased liabilities	28,968	–	135,195	–
Bank charges and others	59,327	44,298	361,051	244,446
	716,257	944,215	2,901,676	2,526,354

17 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 due to related parties have been disclosed in the relevant notes to the financial statements. Significant transactions with related parties are as follows:

		Nine months ended	
		September 30, 2020	September 30, 2019
(Rupees in thousand)			
Relationship with the Company	Nature of transaction		
Associated companies	Stores and spares	177,977	314
	Catalysts	599,253	–
	Finished goods	3,278,368	–
	Mid products	44,444	48,632
	Raw material	3,512,821	–
	Packing material	989,814	1,014,887
	Fee for services	556,024	799,166
	Other income	990,851	613,654
	Lease rental and license fee	38,400	–
	Manpower services	122,755	–
	Non current assets	9,312,385	–
	Long term loan	3,375,000	–
	Miscellaneous expenses	15,070	33,301
	Directors and key management personnel	Remuneration including benefits and perquisites	192,359
Retirement benefit plans	Retirement benefit expense	214,968	202,960
		Three months ended	
		September 30, 2020	September 30, 2019
		September 30, 2020	
		September 30, 2019	
(Rupees in thousand)			

18 Earnings per share - basic and diluted

Profit attributable to ordinary shareholders	2,401,557	2,161,239	9,562,510	9,218,420
(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)	1.14	1.03	4.55	4.39

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

For the nine months ended September 30, 2020

	Nine months ended	
	September 30, 2020	September 30, 2019
(Rupees in thousand)		
19 Cash generated from operations		
Profit before tax	13,635,868	13,221,792
Adjustments for :		
Depreciation on property, plant and equipment	2,067,176	2,039,369
Depreciation on investment property	676	–
Amortization of intangible assets	24,610	20,286
Finance cost	2,901,676	2,526,354
Provision for staff retirement benefits	139,408	132,519
Provision for slow moving stores, spares and loose tools	17,770	8,938
Exchange loss on translation of foreign currency loan	59,699	166,435
Markup on short term loans	(1,014,448)	(613,654)
Loss on remeasurement of investment - through profit or loss	–	96,011
Dividend income	(27,070)	(16,845)
Share of profit from associated company	(18,607)	(16,701)
Profit on saving accounts	(44,301)	(36,929)
Gain on disposal of property, plant and equipment	(383)	(827)
	4,106,206	4,304,956
Operating cash flows before working capital changes	17,742,074	17,526,748
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(1,807,093)	(646,079)
Stock in trade	(1,849,093)	(4,484,679)
Trade debts	3,617,953	394,475
Loans, advances, deposits, prepayments and other receivables	4,002,090	(7,863,588)
Net (decrease) / increase in creditors, accrued and other liabilities	(4,277,216)	9,431,509
	(313,359)	(3,168,362)
	17,428,715	14,358,386

20 Impact of COVID-19 pandemic

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lockdowns, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

Manufacturing, transportation, distribution and selling of Seeds, Fertilizers and Pesticides, being essential commodities, was permitted by the Government even during the lockdown period. Consequently, the Company's Plants have continued uninterrupted operations during this pandemic.

The management is of the view that COVID-19 pandemic has not materially affected the financial performance of the Company as the activities of the Company remained continued during the lockdown period. Keeping in view the latest updates regarding pandemic, future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

21 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 Company's financial assets which are carried at fair value:

	September 30, 2020 (Un audited)			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	2,206,874	–	–	2,206,874
Investment - FVTOCI	194,162	–	–	194,162
Investment property	–	736,394	–	736,394
Total assets at fair value	2,401,036	736,394	–	3,137,430

	December 31, 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	337,557	–	–	337,557
Investment - FVTOCI	192,577	–	–	192,577
Investment property	–	627,573	–	627,573
Total assets at fair value	530,134	627,573	–	1,157,707

21.1 There were no transfers between levels during the period / year. The carrying value of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

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

For the nine months ended September 30, 2020

22 Date of Authorization of Issue

These financial statements have been authorized for issue on October 28, 2020 by the Board of Directors of the Company.

23 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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