



Leading in Agriculture **TRANSFORMATION**

Half Yearly 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
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
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 Site

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

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 unaudited financial statements of the Company along with the Auditor's Review Report for the half year ended June 30, 2020 along with brief overview of operational and financial performance of the Company.

Market Overview - Global

Nitrogen

In Asia, China's production was consumed locally due to domestic demand. Indonesian and Malaysian supply was stable and demand in Philippines increased because of a Government program to ensure food supply. In Europe, there was no shortage of Urea despite it being peak season. Egypt, which is a major exporter of Urea to Europe, moved exports to India. Turkish market was sufficiently covered with supply from Turkmenistan and Iran.

Phosphates

Supply from Asia has been steady, as slowly Chinese production has returned to normal following shutdowns due to the Coronavirus pandemic. After producers focused on the domestic season, they turned their eyes to the export market, with demand picking up in Southeast Asia in the first half of the year. Other producers, like the Moroccans and Saudis, took advantage of the absence of the Chinese producers and increased their prices to compete for business in the region. Overall price of Phosphatic products remained stable.

Market Overview – Pakistan

The first half of 2020 closed with a national total industry off-take of 3.8 million MT, declining nearly 5% same period of last year. This decrease occurred primarily due to reduced Urea sales, which closed at 2.7 million MT compared with 2.9 million MT in first half 2019, representing 7% decline. However, sales surged in second quarter, ending with a record breaking June 2020. DAP sales in first half 2020 closed at 0.6 million MT, representing 7% decline in comparison with last year for the same period. With conditions improving after uncertainties of COVID-19 pandemic, market is expected to recover the volumes loss of first half 2020 in the second half.

Company Performance

During the six months under review, operational and financial performance of the Company remained satisfactory during the period. Overall sales volume reduced by 26% as compared to previous period mainly owing to price uncertainties due to proposed direct subsidy by Government to farmers and challenges faced due to the COVID-19 pandemic. Urea sales volume decreased by 36% from 0.383 million MT in last year's first half to 0.245 million MT in the period under review. This was mainly due to decrease in Urea production as Sheikhpura plant of the Company remained closed due to no supply of gas by Government, which was operational in corresponding period last year. CAN sales volume decreased by 25% in this half compared with same period last year, decreasing from 0.262 million MT to 0.198 million MT. NP sales volume decreased 34% going from 0.217 million MT to 0.143 million MT in first half of 2020. However, DAP sales volume increased significantly due to high demand in first half of the year.

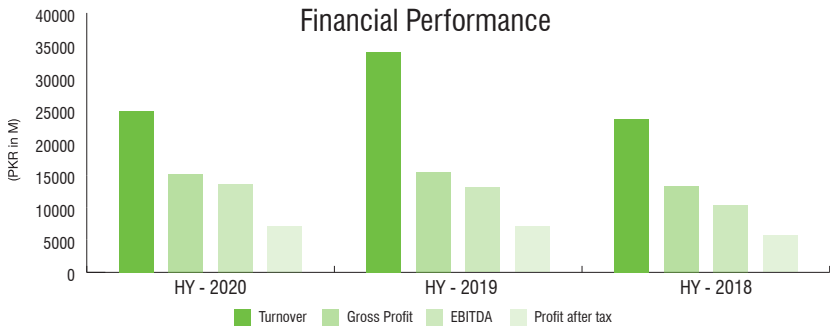
Products	Sales Volume	
	Jan to Jun – 2020	Jan to Jun – 2019
	("000" Tons)	
Urea	245	383
CAN	198	262
NP	143	217
DAP	62	17
Total	648	879

Overall production volumes remained lower by 14% compared to comparative period last year as there was no production at Sheikhpura Plant during the period due to unavailability of gas.

Production Volume

Products	Jan to Jun – 2020 ("000" Tons)	Jan to Jun – 2019 ("000" Tons)
Urea	232	397
CAN	229	216
NP	248	215
Total	709	829

Your Company posted total Revenue of PKR 24.83 billion compared to PKR 34.01 billion posted in same period last year. Cost of Sales during current period reduced by 48% compared to same period in last year mainly due to subsidy released by Government of Pakistan to SNGPL against subsidized gas supply to Sheikhpura Plant in 2019 amounting to PKR 5.3 billion. Besides other factors, reduction in Revenue and Cost of Sales is associated to no operations at Sheikhpura Plant due to no supply of gas at viable rates. Owing to above factors, Gross Profit of the Company remained almost the same i.e. PKR 15.19 billion in first half 2020 compared to PKR 15.44 billion in the same period last year. The Company posted Profit before Tax of PKR 10.06 billion and Profit after Tax of PKR 7.16 billion compared to PKR 10.09 billion and PKR 7.06 billion respectively posted for comparative period last year. Company's Earnings Per Share (EPS) stood at PKR 3.41 Per Share against PKR 3.36 Per Share in the corresponding period last year.



Key challenge in 1st half of Year 2020 remained to ensure business continuity during COVID-19 pandemic environment. In the said unprecedented conditions, your Company immediately formed a COVID Task Force to ensure continuous business operations. After evaluation of challenging operating conditions, the Task Force defined new operating framework and took stringent actions to protect employees, contractors and other stakeholders from the pandemic conditions targeting safe operations of the Company. Business continuity was ensured through Fatima COVID Policy, its implementation in letter and spirit and stringent audits to uplift compliance. Well-being of all Fatima stakeholders remained top priority during these difficult times. While ensuring employee's safety and business continuity, your Company has benchmarked national & international best practices for uninterrupted business operations. These measures of the Company are playing a pivotal role in assuring national food security and safeguarding interests of its shareholders from significant potential loss from shutdown situation.

Fatima Group's Learning and Development Centre (LDC) conducted 3,781 Man-hours trainings in first half 2020. In addition, LDC also developed and launched Capability and Capacity enhancement programs for valuable employees of the Company.

Sadiqabad Plant Site of the Company has achieved combined 55.76 Safe Million Manhours. World class performance of Sadiqabad Plant in HSE was 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.

Fatima CSR committee is completely focused to uplift the deserving community and fulfill their basic needs. Our efforts are recognized at following national forums and acquired awards for community development initiatives / projects competing several national and multinational companies.

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

Future Outlook

In Pakistan pandemic COVID-19 environment is improving day by day. With supportive Government policies, demand and prices of fertilizers are expected to remain stable for the remainder of the year. Subsequent to the half year close, with the support of Government, gas supply to Sheikhpura Plant has been restored that will support your Company to improve much needed supply of Urea to farmers. Government is in the process of completing framework to allow private parties to use unutilized and excess LNG regassification capacity of terminals. Your Company has started completing regulatory requirements to use this new gas availability option also for sustainable operations at its Sheikhpura Plant. Further, with completion of all the regulatory and related requirements, in Q3-20 your Company is expecting to complete the transaction of acquisition of operating plants of Pakarab, thus enabling the shareholders of Fatima to start getting benefits from operations of Pakarab Plant at Multan as well. With its three plants in operations at Sadiqabad, Multan and Sheikhpura, from Q3-20 your Company will start serving the nation and its stakeholders with cumulative name plate capacity of 2.57 million MT/year.

Owing to above factors, with efficient and uninterrupted plant operations and its strong financial position, even under current challenging operating conditions, 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.

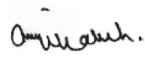
Acknowledgements

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
August 26, 2020



CONDENSED INTERIM
FINANCIAL STATEMENTS
for the six months ended
June 30, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fatima Fertilizer Company Limited Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Fatima Fertilizer Company Limited ("the Company") as at June 30, 2020 and the related 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 and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss for the three-month period ended June 30, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2020.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 1.2 to the condensed interim financial statements, which states that the comparative figures in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and related notes reflect the amounts presented in the Company's consolidated condensed interim financial statements for the six months period ended June 30, 2019, which were neither audited nor reviewed. Our conclusion is not modified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's review report is Shahzad Ali.



Chartered Accountants

Lahore
August 26, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	Un audited June 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	59,971,319	57,008,298
		80,971,319	78,008,298
NON CURRENT LIABILITIES			
Long term finances	5	4,916,812	6,253,636
Lease liabilities		223,436	278,630
Deferred liabilities	6	20,074,792	19,942,553
Long term deposits		64,033	61,267
		25,279,073	26,536,086
CURRENT LIABILITIES			
Trade and other payables		23,050,033	26,483,859
Accrued finance cost		649,941	836,743
Short term finances - secured	7	11,182,234	16,264,983
Current maturity of lease liabilities		566,415	571,301
Unpaid dividend		4,200,000	–
Unclaimed dividend		34,233	189,950
Current maturity of long term finances	5	5,793,737	6,225,085
		45,476,593	50,571,921
CONTINGENCIES & COMMITMENTS			
	8		
		151,726,985	155,116,305

The annexed explanatory notes from 1 to 22 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	Un audited June 30, 2020	Audited December 31, 2019
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	101,348,159	100,720,660
Intangible assets	10	5,976,232	5,973,548
Investment property	11	666,621	627,573
		107,991,012	107,321,781
Long term investments		190,175	174,846
Long term loan to associated company		2,999,000	2,999,000
Long term deposits		88,037	81,763
		111,268,224	110,577,390
CURRENT ASSETS			
Stores and spares	12	7,847,442	7,713,456
Stock in trade	13	12,820,440	11,517,911
Trade debts		2,300,591	7,206,970
Short term loans		3,241,723	3,241,723
Advances, deposits, prepayments and other receivables		11,515,959	13,813,982
Short term investments		1,473,256	530,134
Cash and bank balances		1,259,350	514,739
		40,458,761	44,538,915
		151,726,985	155,116,305



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the six months ended June 30, 2020

	Note	Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)					
Sales	14	10,399,768	18,353,857	24,832,728	34,013,172
Cost of sales	15	(1,795,610)	(10,230,388)	(9,647,514)	(18,575,995)
Gross profit		8,604,158	8,123,469	15,185,214	15,437,177
Distribution cost		(642,733)	(596,198)	(1,570,780)	(1,878,837)
Administrative expenses		(800,141)	(700,150)	(1,554,061)	(1,309,529)
		7,161,284	6,827,121	12,060,373	12,248,811
Finance cost	16	(936,921)	(920,791)	(2,185,419)	(1,582,139)
Other operating expenses		(527,586)	(464,667)	(859,702)	(1,052,947)
		5,696,777	5,441,663	9,015,252	9,613,725
Other income		827,090	254,778	1,028,455	463,350
Share of profit from associate		7,183	7,730	13,030	12,383
Profit before tax		6,531,050	5,704,171	10,056,737	10,089,458
Taxation		(1,829,348)	(1,734,051)	(2,895,784)	(3,032,277)
Profit for the period		4,701,702	3,970,120	7,160,953	7,057,181
Earnings per share					
- basic and diluted (Rupees)	18	2.24	1.89	3.41	3.36

The annexed explanatory notes from 1 to 22 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 six months ended June 30, 2020

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Rupees in thousand)			
Profit for the period	4,701,702	3,970,120	7,160,953	7,057,181
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)	2,913	(2,722)	2,913	(2,722)
Related tax thereon	(845)	789	(845)	789
Other comprehensive income - net of tax	2,068	(1,933)	2,068	(1,933)
Total comprehensive income for the period	4,703,770	3,968,187	7,163,021	7,055,248

The annexed explanatory notes from 1 to 22 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 six months ended June 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 (Audited) (refer note 1.2)	21,000,000	1,790,000	46,904,969	(95,846)	(4,151)	69,594,972
Profit for the period	–	–	7,057,181	–	–	7,057,181
Other comprehensive income	–	–	–	–	(1,933)	(1,933)
Total comprehensive income	–	–	7,057,181	–	(1,933)	7,055,248
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 June 30, 2019 (Un audited)	21,000,000	1,790,000	50,287,150	(95,846)	(6,084)	72,975,220
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	–	–	7,160,953	–	–	7,160,953
Other comprehensive income	–	–	–	–	2,068	2,068
Total comprehensive income	–	–	7,160,953	–	2,068	7,163,021
Transactions with owners: - Final dividend for the year ended December 31, 2019 @ Rs 2 per share	–	–	(4,200,000)	–	–	(4,200,000)
Balance at June 30, 2020 (Un audited)	21,000,000	1,790,000	58,260,604	(76,300)	(2,985)	80,971,319

The annexed explanatory notes from 1 to 22 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 six months ended June 30, 2020

Note	Six month ended		
	June 30, 2020	June 30, 2019	
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	19	15,602,383	7,411,960
Net increase / (decrease) in long term deposits		2,766	(636)
Finance cost paid		(2,265,994)	(1,430,597)
Taxes paid		(2,531,210)	(2,239,299)
Employee retirement benefits paid		(52,319)	(27,484)
Net cash from operating activities		10,755,626	3,713,944
Cash flows from investing activities			
Additions in property, plant and equipment		(1,968,534)	(4,826,774)
Additions in investment property		(39,499)	-
Additions in intangible assets		(17,687)	(8,610)
Proceeds from disposal of property plant and equipment		187	460
Short term investments - net		(940,209)	(128,730)
Profit received on loans and saving accounts		179,109	305,993
Dividend income received		19,629	8,914
Net (increase) / decrease in long term deposits		(6,274)	167,752
Net cash used in investing activities		(2,773,278)	(4,480,995)
Cash flows from financing activities			
Proceeds from long term finances		731,384	-
Repayment of long term finances		(2,569,327)	(3,738,401)
Repayment of lease liabilities		(161,328)	-
Dividend paid		(155,717)	(2,413,078)
Net (decrease) / increase in short term finances		(5,082,749)	6,970,088
Net cash (used in) / generated from financing activities		(7,237,737)	818,609
Net increase in cash and cash equivalents		744,611	51,558
Cash and cash equivalents at the beginning of the period		514,739	717,430
Cash and cash equivalents at the end of the period		1,259,350	768,988

The annexed explanatory notes from 1 to 22 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 six months ended June 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 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. The comparative figures in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and related notes reflect the amounts presented in the Company's consolidated condensed interim financial statements for the six months period ended June 30, 2019, which were neither audited nor reviewed, except for the opening balance of statement of changes in equity that has been obtained from annual audited financial statements for the year ended December 31, 2019.

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.
- 2.3 These condensed interim financial statements are un audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Section 237 of Companies Act, 2017 and they have issued their review report thereon.
- 2.4 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 June 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	58,260,604	55,299,651
Post retirement benefit obligation reserve	(76,300)	(76,300)
Deficit on remeasurement of investments		
Fair value through other comprehensive income (FVTOCI)	(2,985)	(5,053)
	59,971,319	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	7,560,549	8,278,721
	10,710,549	12,478,721
Less: Current portion	5,793,737	6,225,085
	4,916,812	6,253,636
5.1 Movement of long term finances		
Opening balance	12,478,721	16,007,520
Disbursements during the period / year	731,384	4,000,000
Repayments during the period / year	(2,569,327)	(7,685,021)
Exchange loss on translation of foreign currency loan	69,771	156,222
Closing balance	10,710,549	12,478,721
6 Deferred liabilities		
Deferred taxation	19,153,494	19,069,420
Employee retirement benefits	6.1 921,298	873,133
	20,074,792	19,942,553
6.1 Employee retirement benefits		
Gratuity	637,702	595,392
Accumulating compensated absences	283,596	277,741
	921,298	873,133

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

For the six months ended June 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 7.64% to 15.16% (December 31, 2019: 10.46% to 15.16%) per annum for Running Finance and Cash Finance and 8.20% 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 June 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 period from July 2013 to June 2014.

	Un audited June 30, 2020	Audited December 31, 2019
(Rupees in thousand)		
8.2 Commitments in respect of :		
(i) Contracts for capital expenditure	1,460,363	314,005
(ii) Contracts for other than capital expenditure	547,119	592,687
(iii) The amount of future payments under ijarah rentals and short term / low value leases:		
Not later than one year	402,265	316,401
Later than one year but not later than five years	485,296	350,795
	887,561	667,196

	Note	Un audited June 30, 2020	Audited December 31, 2019
(Rupees in thousand)			
9 Property, plant and equipment			
Operating fixed assets	9.1	86,429,265	87,108,526
Capital work in progress	9.2	14,918,894	13,612,134
		101,348,159	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	661,774	4,961,605
		87,770,300	89,903,465
Less: Depreciation charged during the period / year		1,335,991	2,794,600
Book value of disposals during the period* / year		5,044	339
Closing book value		86,429,265	87,108,526

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

	Note	Un audited June 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		44,906	499,413
Plant and machinery		506,971	2,142,511
Catalysts		–	314,497
Furniture and fixtures		1,566	3,370
Office equipment		4,356	6,140
Electric installations and appliances		6,528	49,143
Computers		31,390	16,750
Vehicles		29,469	52,188
Right of use assets		–	1,068,586
		661,774	4,961,605
9.2 Capital work in progress			
Civil works		326,081	337,144
Plant and machinery		3,049,408	3,024,012
Capital stores		1,484,053	1,375,255
Advances:			
- Civil works		26,786	–
- Plant and machinery	9.2.1	10,032,566	8,875,723
		10,059,352	8,875,723
		14,918,894	13,612,134

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

For the six months ended June 30, 2020

9.2.1 Advances for Plant and Machinery include Rs 9,865 million (December 31, 2019: Rs 8,740 million) paid to Pakarab Fertilizer Limited, an associated company, for purchase of its production and operating plants including Ammonia, Urea, Nitric Acid, Nitro-Phosphate, Calcium Ammonium Nitrate and Clean Development Mechanism along with installed catalysts and any other related or ancillary equipment. The transaction was approved by the shareholders of the Company through special resolution in Extra Ordinary General Meeting held on November 19, 2018.

	Un audited June 30, 2020	Audited December 31, 2019
(Rupees in thousand)		
9.2.2 Movement of capital work in progress		
Opening balance	13,612,134	6,776,845
Additions during the period / year	1,707,037	8,542,921
	15,319,171	15,319,766
Less: capitalization during the period / year	399,203	1,705,351
provision for obsolescence for capital stores	1,074	2,281
Closing balance	14,918,894	13,612,134
10 Intangible assets		
Opening book value	5,973,548	5,978,747
Additions during the period / year	17,687	22,365
	5,991,235	6,001,112
Less: amortization charged during the period / year	15,003	27,564
Closing book value	5,976,232	5,973,548
11 Investment Property		
Opening book value	627,573	–
Additions during the period / year	39,499	627,650
	667,072	627,650
Less: depreciation charged during the period / year	451	77
Closing book value	666,621	627,573
12 Stores and spares		
Stores	284,699	406,839
Spares	4,704,046	4,766,262
Catalyst and chemicals	2,858,697	2,540,355
	7,847,442	7,713,456

	Un audited June 30, 2020	Audited December 31, 2019
(Rupees in thousand)		
13 Stock in trade		
Raw material {including in transit Rs 1,094.171 million (December 31, 2019: Rs 1,508.16 million)}	3,512,375	4,778,788
Packing material	61,345	91,502
Mid products		
Ammonia	81,960	181,244
Nitric Acid	27,563	22,152
Others	480	441
	110,003	203,837
Finished goods		
Urea	1,381,448	2,332,970
NP	3,030,483	301,575
CAN	358,909	132,649
Certified emission reductions	96,659	84,286
	4,867,499	2,851,480
Purchased for resale	4,269,218	3,592,304
	12,820,440	11,517,911

	Note	Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)					
14 Sales					
Revenue from contracts with customers					
Local sales	14.1	10,249,281	18,240,923	24,682,241	33,900,238
Export sales - certified emission reductions		150,487	112,934	150,487	112,934
		10,399,768	18,353,857	24,832,728	34,013,172
14.1 Local sales					
Fertilizer products:					
- own manufactured		7,456,612	17,618,839	21,100,684	33,302,332
- purchased for resale		3,010,379	980,165	4,058,518	1,173,221
Mid products		167,652	230,242	370,960	448,035
		10,634,643	18,829,246	25,530,162	34,923,588
Less: Sales tax		238,177	395,193	559,635	742,925
Discounts		147,185	193,130	288,286	280,425
		10,249,281	18,240,923	24,682,241	33,900,238

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

For the six months ended June 30, 2020

Note	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Rupees in thousand)			
15 Cost of sales				
Raw material consumed	3,052,744	5,051,347	5,648,878	10,127,415
Packing material consumed	272,849	291,670	512,338	579,819
Salaries, wages and other benefits	860,233	794,398	1,655,401	1,631,292
Fuel and power	1,054,957	1,380,910	2,009,241	2,901,028
Chemicals and catalyst consumed	208,170	191,992	374,996	359,561
Stores and spares consumed	246,127	102,636	711,808	594,247
Technical assistance	46,592	49,695	56,691	69,941
Repair and maintenance	512,922	492,643	677,606	664,194
Insurance	131,936	63,256	270,306	124,679
Travelling and conveyance	27,909	44,731	61,046	71,679
Rent, rates and taxes	31,547	8,660	54,490	24,737
Vehicle running and maintenance	15,777	24,802	36,546	43,265
Depreciation	618,041	659,173	1,232,426	1,302,284
Others	18,408	33,372	37,015	72,909
Manufacturing cost	7,098,212	9,189,285	13,338,788	18,567,050
Opening stock of mid products	150,830	234,630	203,837	214,040
Closing stock of mid products	(110,003)	(242,894)	(110,003)	(242,894)
Cost of goods manufactured	7,139,039	9,181,021	13,432,622	18,538,196
Opening stock of finished goods	2,227,497	4,710,344	2,851,480	3,514,931
Closing stock of finished goods	(4,867,499)	(4,587,271)	(4,867,499)	(4,587,271)
Cost of sales - own manufactured	4,499,037	9,304,094	11,416,603	17,465,856
Cost of sales - purchased for resale	2,617,198	926,294	3,551,536	1,110,139
Subsidy on RLNG released by GOP to SNGPL	15.1 (5,320,625)	–	(5,320,625)	–
	1,795,610	10,230,388	9,647,514	18,575,995

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 operational on RLNG.

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Rupees in thousand)			
16 Finance cost				
Markup on long term finances	355,647	420,867	781,036	840,911
Markup on short term finances	425,786	330,959	996,432	541,080
Interest on leased liabilities	89,344	–	106,227	–
Bank charges and others	66,144	168,965	301,724	200,148
	936,921	920,791	2,185,419	1,582,139

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:

		Six months ended	
		June 30, 2020	June 30, 2019
(Rupees in thousand)			
Relationship with the Company	Nature of transaction		
Associated companies	Stores and spares	334,488	314
	Catalysts	722,147	–
	Finished goods	2,567,021	–
	Raw material	2,574,673	–
	Packing material	614,104	617,038
	Miscellaneous expenses	11,180	22,468
	Mid products	76,150	38,211
	Other income	853,502	389,440
	Purchase of current assets	–	3,299,385
	Fee for services	364,236	474,555
Directors and key management personnel	Remuneration including benefits and perquisites	134,181	141,193
Retirement benefit plans	Retirement benefit expense	149,991	134,939

		Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)					
18 Earnings per share - basic and diluted					
Profit attributable to ordinary shareholders	4,701,702	3,970,120	7,160,953	7,057,181	

(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)	2.24	1.89	3.41	3.36
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)

For the six months ended June 30, 2020

	Six months ended	
	June 30, 2020	June 30, 2019
(Rupees in thousand)		
19 Cash generated from operations		
Profit before tax	10,056,737	10,089,458
Adjustments for :		
Depreciation on property, plant and equipment	1,335,991	1,381,561
Depreciation on investment property	451	-
Amortization of intangible assets	15,003	13,374
Finance cost	2,185,419	1,582,139
Provision for staff retirement benefits	100,484	88,302
Provision for slow moving stores, spares and loose tools	17,770	8,939
Exchange loss on translation of foreign currency loan	69,771	232,163
Profit on short term loans to associated companies	(853,515)	(389,440)
Loss on remeasurement of investment - through profit or loss	-	77,109
Dividend income	(19,629)	(8,914)
Share of profit from associated company	(13,030)	(12,383)
Profit on saving accounts	(30,026)	(19,987)
Gain on disposal of property, plant and equipment	(122)	(291)
	2,808,567	2,952,572
Operating cash flows before working capital changes	12,865,304	13,042,030
Effect on cash flow due to working capital changes: (Increase) / decrease in current assets:		
Stores and spares	(151,756)	(89,159)
Stock in trade	(1,302,529)	(3,161,452)
Trade debts	4,906,379	(962,774)
Advances, deposits, prepayments and other receivables	2,718,811	(5,607,918)
(Decrease) / increase in creditors, accrued and other liabilities	(3,433,826)	4,191,233
	2,737,079	(5,630,070)
	15,602,383	7,411,960

20 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:

	June 30 2020 (Un audited)			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Financial assets at fair value				
Investment - through profit or loss	1,277,807	–	–	1,277,807
Investment - FVTOCI	195,449	–	–	195,449
Investment property *	–	666,621	–	666,621
Total assets at fair value	1,473,256	666,621	–	2,139,877

	December 31 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Financial assets at fair value				
Investment - through profit or loss	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

* This is for disclosure purpose only.

20.1 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.

21 Date of Authorization of Issue

These financial statements have been authorized for issue on August 26, 2020 by the Board of Directors of the Company.

22 General

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



Chief Executive Officer



Director



Chief Financial Officer


NOTES



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