Fatima
Fertilizer Company Limited
JV of Fatima and Arif Habib Group

CATALYSING GREEN REVOLUTION

Half Yearly Report 2023

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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. Julie Jannerup
Independent Director

Mr. Tariq Jamali
Independent Director

Chief Operating Officer & Chief Financial Officer

Mr. Asad Murad

Director Legal & Company Secretary

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

Key Management

Mr. M. Abad Khan
Advisor to the CEO

Ms. Sadia Irfan
Director Human Resources

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Ausaf Ali Qureshi
Advisor MFC Project

Mr. Hassan Altaf
Director Strategy

Mrs. Rabel Sadozai
Director Marketing and Sales

Mr. Atif Zaidi
Chief Information Officer

Mr. Salman Ahmad
Director Internal Audit

Mr. Pervez Fateh
G.M. Manufacturing

Mr. Faisal Jamal
Corporate HSE & Technical Support Manager

Audit Committee Members

Mr. Tariq Jamali
Chairman

Mr. Faisal Ahmed Mukhtar
Member

Ms. Julie Jannerup
Member

Mr. Muhammad Kashif Habib
Member

HR and Remuneration Committee Members

Ms. Julie Jannerup
Chairperson

Mr. Fawad Ahmed Mukhtar
Member

Mr. Muhammad Kashif Habib
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. Yousuf Adil
Chartered Accountants, Lahore
134-A, Abu Bakar Block, New Garden Town, Lahore
Tel: +92 42 3591 3595-7, +92 42 3544 0520
Fax: +92 42 3544 0521

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

Al-Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Citibank N.A
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial & Commercial bank of China (ICBC)
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
The Bank of Khyber
United 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 Sheikhupura Road, Chichoki Mallian,
Pakistan
Tel: 042 – 37319200 – 99
Fax: 042 – 33719295

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present a brief overview of the Company's performance and condensed interim consolidated and standalone financial statements for the half year ended June 30, 2023. The standalone financial statements were subject to a limited scope review by the statutory auditors of the Company.

The Economy

Pakistan's economy has been confronting various challenges in recent years, including a large trade deficit, high inflation, exorbitant discount rate and a substantial debt burden. These challenges further accelerated where political uncertainty pushed the economic uncertainty even further. The Pakistani rupee has been on a steep decline against the US Dollar, which has raised the inflation sharply. Moreover, the country's foreign reserves dropped to very low levels causing business disruption. To address the challenges and sustain macroeconomic stability, the Government was able to get support from IMF and friendly countries, which will contribute towards stabilization of country's economy to some extent.

Operational and Financial Performance

During the first half of the year 2023, the Company has delivered stable business performance. All three plants successfully completed their turnaround activities as planned during the period under review. These turnarounds were safely executed resulting in enhancing reliability and increased production of plants. Further, significant projects were completed which included but not limited to Ammonia energy conservation, modernized control & shutdown system, compressors control systems and overhauling of several machines. In addition, all plant sites continued to build upon their reputation to be the safest working sites and have added to safe million man hours. The Company also secured multiple awards and recognitions from local and international organizations on Health, Safety & Environment and has contributed to various CSR activities across the Country.

We are pleased to inform you that on June 27, 2023, The Lahore High Court has sanctioned the Scheme of Compromises, Arrangements and Reconstruction to amalgamate Pakarab Fertilizers Limited (PFL) with and into the Company with effect from July 01, 2022. Apart from PFL's assets and liabilities being acquired by the Company, Fatima Packaging Limited, a wholly owned subsidiary of PFL, has now become a wholly owned subsidiary of the Company. This strategic business arrangement will further solidify our position as a leading player in the fertilizer sector and presents numerous opportunities for enhanced growth, synergies, and operational efficiencies. Note 1.2 of the condensed interim consolidated and standalone financial statements includes relevant details of the assets and liabilities taken over and the consideration thereon.

Pursuant to Court order, the Company has combined the operations and financials from its effective date which has resulted in restatement of its financial statements for the year ended

December 31, 2022. Similarly, financial statements for the period ended June 30, 2023, have been prepared in continuation to the restated financial statements.

Total combined production volumes for the period decreased by 21% primarily due to planned turnarounds and gas curtailment at Sheikhupura plant during the first quarter of the year. Sales volume recorded slight decline owing to limited availability of Urea and CAN. However, the Company was able to maintain its overall market share primarily due to increased share in phosphate market by 13%.

Products	Production		Sales	
	Jan - Jun 2023	Jan - Jun 2022*	Jan - Jun 2023	Jan - Jun 2022*
	Volume ('000' M. Tons)			
NP	319	434	435	350
CAN	385	427	373	403
Urea	392	523	346	450
Trading stock	–	7	27	8
Total	1,096	1,391	1,181	1,211

*Includes toll manufacturing operations

The Company posted total fertilizer business sales revenue of Rs 83.98 billion in the first half of the year 2023 as compared to sales revenue of Rs 62.28 billion in the same period last year. Increase in pricing mainly represents impacts of rise in input costs and significant changes in tax regime. Input costs have primarily increased due to high inflation and sharp Rupee depreciation. Consequently, the Company has been able to maintain its gross profitability. Selling, distribution and administrative expenses also recorded an increase on account of higher fuel costs and inflationary impact. The other operating expenses primarily represent an exchange loss on foreign currency translation during the period under review. The finance cost of the Company has increased due to the significant swell in interest rates. Whereas the increase in other income is attributable to higher rates of profit on loans to related parties, short term investments, and dividend income.

As a result, the Company's fertilizer business has posted profit before tax of Rs 15.42 billion compared to Rs 18.83 billion in the same period last year. Further, imposition of super tax on profits for the current year as well as previous year has resulted in an effective tax rate of 67%, thus restricting bottom line growth. Hence, profit after tax for the first half of the year has been registered at PKR 5.13 billion, 12% lower than the same period last year. This has resulted in an EPS of PKR 2.44 as compared to an EPS of PKR 2.78 in the same period last year.

Comparative standalone financial highlights as at June 30, 2023 along with restated highlights as at December 31, 2022 are as follows:

Financial Highlights (Standalone)				
	For the six months ended June 30		For the year ended December 31, 2022	
	2023	2022	(Restated)	
	Rupees in Million			
Revenue	83,977	62,284	158,797	152,231
Gross profit	28,288	28,303	52,460	51,943
Operating profit	14,491	18,139	28,782	28,827
Profit before tax	15,416	18,835	30,376	30,786
Profit after tax	5,127	5,846	14,302	14,139
EPS (Rs)	2.44	2.78	6.81	6.73

The Company's consolidated financial results include the performance of its wholly owned subsidiaries, Fatima Packaging Limited, Fatima Cement Limited, and Fatimafert Limited. Consolidated financial highlights as at June 30, 2023 along with restated highlights as at December 31, 2022 have been summarized below.

Financial Highlights (Consolidated)				
	For the six months ended June 30		For the year ended December 31, 2022	
	2023	2022	(Restated)	
	Rupees in Million			
Revenue	85,268	62,284	159,745	152,231
Gross profit	29,150	28,303	52,676	51,943
Operating profit	15,065	18,138	28,707	28,792
Profit before tax	15,923	18,846	30,874	30,765
Profit after tax	5,234	5,857	14,714	14,124
EPS (Rs)	2.49	2.79	7.01	6.73

Moreover, during the period under review, a wholly owned subsidiary of the Company, Fatima Cement Limited, has issued right shares amounting to Rs 1,100 million which have been duly subscribed to by the Company.

Further, the Board is pleased to announce interim cash dividend of Rs 1.75 per share aggregating to Rs 3,675 million for the period ended June 30, 2023.

Future Outlook

The agriculture sector has always been the mainstream of the economy by ensuring food security in the country and saving billions of dollars as import substitution. Catalyzing Green Revolution in Pakistan through implementation of precision technology driven farming operations, use of hybrid seeds and other next generation practices will ensure national food security and economic prosperity of the country by addressing issues of fiscal and current account deficits significantly.

The demand for fertilizers is expected to remain stable for the remainder of the year. Despite the challenging business environment, the company is geared to register sustainable growth in 2023 due to availability of healthy volumes and robust strategies put in place.

With all the three plants in operation, the Company is committed to ensure continuous supply of its products to the farming community through a cumulative annual name plate capacity of 2.6 million MT. This will also ensure timely availability of locally produced fertilizers to the farmers at affordable prices and will also result in substitution of high priced imported fertilizers, hence savings of over USD 800 million valuable foreign exchange for the country. We are confident that necessary fiscal support in the shape of farmer friendly Government policies will continue to support the farmers and agriculture sector in Pakistan. The Board is focused towards offering value addition for the stakeholders and will continue to provide leadership and strategic guidance to the Company.

Acknowledgment

The Directors of the Company take pleasure in expressing their sincere gratitude and appreciation for the commitment and contribution of all the employees. The Board also appreciates and acknowledges the assistance, continued trust, 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 and hope that same spirit will prevail in the future as well.

For and on behalf of the Board

Lahore	Fawad Ahmed Mukhtar	Arif Habib
August 28, 2023	Chief Executive Officer	Chairman

INDEPENDENT AUDITORS' REVIEW REPORT

To the Members of Fatima Fertilizer Company Limited

Report on review of 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, 2023, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the financial statements for the half year 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 interim financial statements based on our review. The figures of the condensed interim profit or loss and the condensed interim statement of comprehensive income for the three month period ended June 30, 2023 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended June 30, 2023.

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 is 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 the note 1.2 to the interim financial statements which explains the merger / amalgamation of Pakarab Fertilizers Limited (PFL) with and into the Company effective July 01, 2022. As a result, the comparative amounts reported in the statement of financial position as of December 31, 2022 have been restated after taking its effect. Our conclusion is not modified in this respect.

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

Yousuf Adil

Chartered Accountants

Lahore
Date: August 28, 2023
UDIN: RR2023101803rlBHhbWs

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UN AUDITED)

As at June 30, 2023

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 3,700,010,000 (December 31, 2022: 3,700,010,000) shares of Rs 10 each	4	37,000,100	37,000,100
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2022: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	5	84,384,772	86,500,734
		105,384,772	107,500,734
NON CURRENT LIABILITIES			
Long term finances - secured	6	7,018,633	8,766,424
Subordinated redeemable preference Class A shares	7	1,365,887	1,266,286
Lease liabilities		134,564	163,227
Deferred taxation		29,106,137	24,692,436
Deferred government grant		541,492	–
Deferred liabilities	8	2,280,159	2,965,763
Long term deposits		496,980	435,348
		40,943,852	38,289,484
CURRENT LIABILITIES			
Trade and other payables		52,817,869	59,652,316
Accrued finance cost		1,237,302	1,143,959
Income tax payable	9	3,155,207	3,169,896
Short term finances - secured	10	18,522,472	16,467,085
Short term loans from associated companies	11	1,626,307	1,626,307
Loan from directors		–	18,000
Payable to Privatization Commission of Pakistan	12	2,197,901	2,197,901
Unclaimed dividend		55,568	46,429
Current portions of long term liabilities	13	3,024,686	3,543,390
		82,637,312	87,865,283
CONTINGENCIES & COMMITMENTS	14		
		228,965,936	233,655,501

The annexed explanatory notes from 1 to 29 form an integral part of these condensed interim consolidated financial statements.

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	121,286,494	119,556,402
Intangible assets	16	2,912,820	3,786,096
Investment property	17	164,966	165,419
		124,364,280	123,507,917
Long term investments		1,475,202	1,469,179
Long term advances and deposits		2,081,665	1,179,737
		3,556,867	2,648,916
		127,921,147	126,156,833
CURRENT ASSETS			
Stores and spares	18	14,527,925	15,991,238
Stock in trade	19	37,868,180	45,775,134
Trade debts		16,348,615	13,794,362
Short term loan to an associated company		4,999,723	4,999,723
Advances, deposits, prepayments and other receivables		20,323,099	19,969,882
Short term investments		4,103,511	4,226,509
Cash and bank balances		2,873,736	2,741,820
		101,044,789	107,498,668
		228,965,936	233,655,501

Chief Executive Officer **Director** **Chief Financial Officer**

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

For the six months ended June 30, 2023

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
		(Rupees in thousand)			
Sales	20	47,181,874	33,169,570	85,268,274	62,283,586
Cost of sales	21	(32,538,797)	(17,117,077)	(56,117,984)	(33,980,534)
Gross profit		14,643,077	16,052,493	29,150,290	28,303,052
Selling and distribution expenses		(2,040,776)	(1,897,457)	(4,551,443)	(3,326,745)
Administrative expenses	22	(1,575,701)	(1,353,728)	(3,535,044)	(2,485,167)
		11,026,600	12,801,308	21,063,803	22,491,140
Finance cost	23	(1,568,134)	(757,787)	(2,791,458)	(1,174,568)
Other operating expenses		(1,010,665)	(1,915,052)	(3,206,873)	(3,178,443)
		8,447,801	10,128,469	15,065,472	18,138,129
Other income		645,008	545,985	1,111,086	886,290
Share of profit from associates		2,981	17,407	6,024	25,188
Other losses:					
- Unwinding of provision for GIDC		(74,840)	(71,639)	(127,876)	(149,230)
- Loss allowance on subsidy receivable from GoP		(98,376)	(27,431)	(132,056)	(54,862)
		(173,216)	(99,070)	(259,932)	(204,092)
Profit before tax		8,922,574	10,592,791	15,922,650	18,845,515
Taxation		(7,729,801)	(10,425,753)	(10,688,612)	(12,988,469)
Profit for the period		1,192,773	167,038	5,234,038	5,857,046
Earnings per share - basic and diluted (Rupees)	24	0.57	0.08	2.49	2.79

The annexed explanatory notes from 1 to 29 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 six months ended June 30, 2023

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in thousand)			
Profit for the period	1,192,773	167,038	5,234,038	5,857,046
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of post retirement benefits obligation	–	(100,242)	–	(100,242)
Related tax thereon	–	33,080	–	33,080
Share of other comprehensive loss from associates	–	(7,725)	–	(7,725)
Related tax thereon	–	1,159	–	1,159
Other comprehensive income - net of tax	–	(73,728)	–	(73,728)
Total comprehensive income for the period	1,192,773	93,310	5,234,038	5,783,318

The annexed explanatory notes from 1 to 29 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 six months ended June 30, 2023

	Ordinary share capital	Capital reserve	Revenue reserve	Post retirement benefit obligation reserve	Total
		Share premium	Unappropriated profit		
	(Rupees in thousand)				
Balance as at December 31, 2021 (Audited)	21,000,000	1,790,000	77,593,347	(120,083)	100,263,264
Profit for the period	–	–	5,857,046	–	5,857,046
Other comprehensive income	–	–	(6,566)	(67,162)	(73,728)
Total comprehensive income	–	–	5,850,480	(67,162)	5,783,318
Transaction with owners:					
– Final dividend for the year ended December 31, 2021 @ Rs 3.50 per share	–	–	(7,350,000)	–	(7,350,000)
Balance as at June 30, 2022 (Un audited)	21,000,000	1,790,000	76,093,827	(187,245)	98,696,582
Balance as at December 31, 2022 (Restated)	21,000,000	1,790,000	84,950,556	(239,822)	107,500,734
Profit for the period	–	–	5,234,038	–	5,234,038
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	5,234,038	–	5,234,038
Transaction with owners:					
– Final dividend for the year ended December 31, 2022 @ Rs 3.50 per share	–	–	(7,350,000)	–	(7,350,000)
Balance as at June 30, 2023 (Un audited)	21,000,000	1,790,000	82,834,594	(239,822)	105,384,772

The annexed explanatory notes from 1 to 29 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 six months ended June 30, 2023

	Note	June 30, 2023	June 30, 2022
		Six months ended	
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	26	20,706,467	17,669,024
Net increase in long term deposits		61,632	124,867
Finance cost paid		(2,669,663)	(964,529)
Taxes paid		(6,289,599)	(3,001,296)
Employee retirement benefits paid		(175,126)	(59,373)
Net cash generated from operating activities		11,633,711	13,768,693
Cash flows from investing activities			
Additions in property, plant and equipment		(4,559,548)	(4,308,503)
Additions in intangible assets		(48,823)	(29,532)
Proceeds from disposal of property, plant and equipment		6,704	12,642
Long term investments made		–	(750,001)
Short term investments made		–	(2,252,258)
Proceeds from short term investments		255,212	113,468
Profit received on loans and saving accounts		563,711	75,165
Dividend income received		268,469	93,365
Net increase in long term advances and deposits		(901,928)	(628,809)
Net cash used in investing activities		(4,416,203)	(7,674,463)
Cash flows from financing activities			
Proceeds from long term finances		–	5,235,656
Repayment of long term finances		(1,741,845)	(1,061,719)
Repayment of loan from directors		(18,000)	–
Repayment of lease liabilities		(40,273)	(171,817)
Dividend paid		(7,340,861)	(9,081,830)
Net increase / (decrease) in short term finances		2,224,758	(4,554,236)
Net cash used in financing activities		(6,916,221)	(9,633,946)
Net increase / (decrease) in cash and cash equivalents		301,287	(3,539,716)
Cash and cash equivalents at the beginning of the period		(5,400,238)	5,642,936
Cash and cash equivalents at the end of the period		(5,098,951)	2,103,220
Cash and cash equivalents comprises of following:			
Cash and bank balances		2,873,736	4,104,107
Running finance		(7,972,687)	(2,000,887)
Cash and cash equivalents at the end of the period		(5,098,951)	2,103,220

The annexed explanatory notes from 1 to 29 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 six months ended June 30, 2023

1 Legal status and nature of business

1.1 Fatima Fertilizer Company Limited ('the Holding Company') was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and is listed on Pakistan Stock Exchange. Fatimafert Limited, Fatima Cement Limited, Fatima Packaging Limited and Pan-Africa Fertilizers Limited are wholly owned subsidiaries of the Holding Company. Fatimafert Limited, Fatima Cement and Fatima Packaging Limited Limited are incorporated in Pakistan under the Companies Act, 2017 and Pan Africa Fertilizers Limited is incorporated in Kenya. Collectively, these would be referred to as 'the Group' in these condensed interim consolidated financial statements.

The principal activity of the Group is manufacturing, producing, buying, selling, importing and exporting fertilizers, chemicals, cement and polypropylene sacks, cloth, liner & bags. The registered office of the Holding Company, Fatimafert Limited, Fatima Packaging Limited and Fatima Cement Limited is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt, whereas the registered office of Pan-Africa Fertilizers Limited is situated at Westlands District, Nairobi, Kenya. The manufacturing facilities of the Holding Company are located at Mukhtargarh - Sadiqabad, Khanewal Road - Multan and Chichoki Mallian - Sheikhupura, Pakistan.

1.2 The Board of Directors of the Holding Company, in their meeting held on December 5, 2022, had considered and approved a comprehensive business expansion plan and the Scheme of Compromises, Arrangements and Reconstruction ('the Scheme') drafted under the relevant provisions of the Companies Act, 2017, aimed at further consolidation of the fertilizer business by amalgamating its associated company, Pakarab Fertilizers Limited ('PFL') with and into Fatima Fertilizer Company Limited with effect from July 01, 2022.

A petition was submitted in the Lahore High Court ('LHC') for obtaining Sanction of this Scheme wherein under the supervision of the LHC, the above Scheme had been duly approved by the shareholders of the Holding Company in its extra ordinary general meeting held on December 31, 2022. The Scheme has been approved on June 27, 2023, through an order by the LHC.

As per the sanctioned Scheme, the assets and liabilities of PFL have been acquired by the Holding Company and in consideration, the receivables from PFL comprising trade receivable, loans and the accrued markup thereon as at June 30, 2022, stands relinquished. Further, capital contributories and the shareholders of PFL relinquished their right in the company against which they shall be compensated in the form of Subordinated Redeemable Preference Shares of the Holding Company under the following terms and conditions:

i) Subordinated Redeemable Preference Class A Shares of the Holding Company: Shareholders of PFL shall be issued one (1) Class A Share of the Holding Company against each ordinary share of PFL aggregating to 270,000,000 shares. Face value of such shares will be Rs 10 each. These shares are non voting, neither non cumulative nor cumulative fixed yield and have no dividend or other right. The redemption date shall be December 31, 2027, modifiable upon mutual consent of the Board of Directors of the Holding Company and at least 90% of Class A Shareholders.

Redemption value shall be lower of the (i) value as determined by the Holding Company's Board of Directors unanimously, (ii) aggregate face value of Class A Shares or (iii) calculated values of assets and liabilities acquired from PFL as defined in the sanctioned Scheme; and

ii) Subordinated Redeemable Preference Class B Shares of the Holding Company: These shares shall be issued subject to fulfillment of conditions precedent to issue as defined in the sanctioned Scheme i.e., full redemption of Class A shares and unanimous approval of the Holding Company's Board of Directors for issuance. These Shares shall be issued to the shareholders and capital contributories of PFL up to a maximum number of 567,369,293 shares having face value of Rs 10 each. These shares are non voting, neither non cumulative nor cumulative fixed yield and have no dividend or other right. Aggregate redemption value of entire set of Class B Shares shall be in accordance with the sanctioned scheme.

Subsequent to sanction of the Scheme effective from July 01, 2022, following assets and liabilities of PFL were taken over by the Holding Company.

ASSETS	Rupees in thousand
Property, plant, and equipment	8,854,488
Intangible assets	82,916
Long term investments (wholly owned subsidiary)	685,279
Long term advances and deposits	125,721
Stores and spares	1,199,911
Stock in trade	8,380,907
Trade debts	193,190
Income tax receivable	2,907,165
Advances, deposits, prepayments, and other receivables	4,320,035
Short term investments	66,610
Cash and bank balances	2,336,178
Total (A)	**29,152,400**
LIABILITIES	
Deferred liabilities	(1,001,946)
Long term finances – secured	(280,561)
Long term deposits	(67,000)
Trade and other payables	(4,708,236)
Accrued finance cost	(277,122)
Short term finances – secured	(4,851,096)
Short term loans from related parties	(1,626,307)
Payable to Privatization Commission of Pakistan	(2,197,901)
Current portion of long term finances	(1,682,876)
Total (B)	**(16,693,045)**

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

For the six months ended June 30, 2023

RECEIVABLE ADJUSTED / PAYABLES RELINQUISHED	Rupees in thousand
Long term loan from an associated company	(2,999,000)
Long term deposits	(36,000)
Trade and other payables	(5,899,098)
Accrued finance cost	(551,310)
Short term loan from an associated company	(2,000,000)
Advances, deposits, prepayments, and other receivables	200,000
Total (C)	**(11,285,408)**
Subtotal (A+B+C)	**1,173,947**
PAYABLE AGAINST ASSET ACQUISITION	
Present value of redeemable 270,000,000 Class A Shares of Rs 10 each	**(1,173,947)**

Accordingly, the consolidated financial statements of the Group were restated as at December 31, 2022 reflecting the impacts of above balances, eliminations thereon and the transactions for the period ended December 31, 2022. Moreover, statement of profit or loss for the current period is not comparable with the prior period as it includes the impact of operations of PFL in current period.

2 Basis of preparation

2.1 These condensed interim consolidated 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 and IFAS, the provisions of and 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 consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2022. Comparative condensed interim consolidated statement of financial position is extracted from annual restated consolidated financial statements for the year ended December 31, 2022 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 extracted from un audited condensed interim consolidated financial statements for the six months ended June 30, 2022.

2.3 These condensed interim consolidated financial statements are presented in Pak Rupees, which is the Group'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 these condensed interim consolidated financial statements are the same as those applied in the preparation of annual consolidated financial statements of the Group for the year ended December 31, 2022. Moreover, following new policies have been adopted:

3.1 Acquisition of assets

The group of assets (including the liabilities assumed) acquired as a result of any arrangement that does not meet the definition of a business are recognized under the asset acquisition method.

Upon the acquisition of net assets, the Group identifies and recognizes the assets acquired and liabilities assumed at their fair values as of the acquisition date. Any difference between the net assets acquired and the fair value of the consideration is allocated to non monetary long lived assets, and no gain or loss is recorded on the date of acquisition, whereas the current assets and liabilities are measured at fair values on the acquisition date.

3.2 Redeemable preference shares

Redeemable preference shares are classified as financial liability if they meet the criteria for liability as per relevant accounting standard.

Upon issuance, the Group recognizes redeemable preference shares as a financial liability in its consolidated statement of financial position at the present value of the future cash outflows associated with the redemption. Subsequent to the initial recognition, these are measured at amortised cost and the effect of unwinding is recognised in the consolidated statement of profit or loss.

4 Authorized share capital

June 30, 2023	Restated December 31, 2022		June 30, 2023	Restated December 31, 2022
(Number of shares)			(Rupees in thousand)	
2,700,010,000	2,700,010,000	Ordinary shares of Rs 10 each	27,000,100	27,000,100
1,000,000,000	1,000,000,000	Subordinated redeemable preference Class A shares of Rs 10 each	10,000,000	10,000,000
3,700,010,000	3,700,010,000		37,000,100	37,000,100

4.1 As explained in note 1.2, upon the sanction of the Scheme by LHC, authorized share capital of the Holding Company has been increased by Rs 10,000 million. Amended copies of Memorandum and Articles of Association of the Holding Company have been filed with the relevant authorities.

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

For the six months ended June 30, 2023

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
5 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		82,834,594	84,950,556
Post retirement benefit obligation reserve		(239,822)	(239,822)
		84,384,772	86,500,734
6 Long term finances - secured			
From banking companies / financial institutions	6.1	9,834,779	12,179,880
Less: Current portion		2,816,146	3,413,456
		7,018,633	8,766,424
6.1 Movement of long term finances			
Opening balance		12,179,880	7,064,604
Disbursements during the period / year		–	5,622,520
Classified as deferred government grant		(704,444)	–
Addition as a result of asset acquisition	1.2	–	1,963,437
Addition as a result of acquisition of a subsidiary		–	382,168
Repayments during the period / year		(1,741,845)	(2,888,757)
Accreditation of loan under SBP Islamic Refinance Scheme		101,188	35,908
Closing balance		9,834,779	12,179,880
7 Subordinated redeemable preference Class A shares			
Opening balance		1,266,286	–
Liability against subordinated redeemable preference Class A shares (270,000,000 shares of Rs 10 each)		–	2,700,000
Remeasurement at present value at acquisition date		–	(1,526,053)
		1,266,286	1,173,947
Unwinding for the period / year		99,601	92,339
		1,365,887	1,266,286

7.1 As explained in note 1.2, this liability is carried at present value in accordance with the provisions of IFRS 9 using effective interest rate of 16.35% per annum.

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
8 Deferred liabilities			
Employee retirement benefits	8.1	1,652,626	1,622,224
Provision for Gas Infrastructure Development Cess (GIDC)		627,533	1,343,539
		2,280,159	2,965,763
8.1 Employee retirement benefits			
Gratuity		1,516,949	1,490,110
Accumulating compensated absences		135,677	132,114
		1,652,626	1,622,224

9 Income tax payable

This includes claim of income tax refund aggregating to Rs 2,479 million for the assessment years 1993-94, 1995-96 through 2002-2003 and tax years 2003 and 2004. Further, 90% of such claim shall be payable to the Privatization Commission of Pakistan as explained in note 12.

10 Short term finances - secured

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

These facilities are secured by pari passu charge on present and future current assets of the Group, pledge of raw materials and finished goods and personal guarantees of sponsoring directors.

These facilities carry mark up ranging from 16.11% to 24.48% (December 31, 2022: 8.87% to 18.77%) per annum for Running Finance, Term Finance and Cash Finance and 17.18% to 22.58% (December 31, 2022: 8.30% to 17.51%) per annum for Finance against Imported Merchandise.

11 Short term loans from associated companies

This represents short term loans obtained from associated companies for a period of one year commencing from March 29, 2022 to finance working capital requirements. As per the terms of the agreements, the loans will be repayable within a period of 30 days of notice of demand unless renewed by mutual consent by the parties. The markup rate on the said loan is 6 months KIBOR plus 1.8% per annum, payable quarterly. Effective rate of markup charged ranged from 18.86% to 23.88% (December 31, 2022: 17.12% to 17.51%).

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12 Payable to Privatization Commission of Pakistan

Reliance Exports (Private) Limited ('REL'), under the terms and conditions stated in the 'Share Purchase Agreement' ('the Agreement'), acquired 100% shares in PFL on July 14, 2005 through the process of privatization. Under the terms of the Agreement, the purchase consideration, in addition to lump sum cash payment, included a further payment equivalent to 90% of PFL's claim of tax refund aggregating to Rs 2,814.51 million for the assessment years 1993-94, 1995-96 through 2002-2003 and tax years 2003 and 2004. The amount is payable to the Privatization Commission ('PC') in the event of and at the time of cash receipt of the refund from the concerned tax authorities.

The amount recognized in the financial statements of PFL as payable to PC is net off Rs 240.12 million which, according to the management of PFL, has already been withdrawn by the previous members as part of the dividend distribution for the year ended June 30, 2005. The management of PFL felt that the Agreement as presently worded, if executed, would result into double payment of the same amount to PC / previous members, firstly, as part of the profits for the year ended June 30, 2005 (computed without recognition of the tax expense for the years for which when the refund is issued, an amount equivalent to 90% would be the right of PC / previous members) and secondly, at the time the refund is received from the tax authorities when an amount equivalent to 90% of such refund is paid off to PC, as agreed. The management of PFL felt that such double payment is neither the intention nor warranted under the specific provisions of the Agreement. Upon dissolution of REL and its amalgamation with PFL on July 14, 2005, this liability was recognised in the books of PFL being the surviving entity upon REL's amalgamation with PFL in accordance with the Scheme of Arrangement for Amalgamation.

As mentioned in note 1.2, with effect from effective date of the Scheme, this liability has now been recognised in the books of the Group.

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
13 Current portions of long term liabilities			
Long term finances	6	2,816,146	3,413,456
Lease liabilities		131,328	129,934
Government grant		77,212	–
		3,024,686	3,543,390

14 Contingencies and commitments

14.1 Contingencies

As at June 30, 2023, there is no material change in the status of contingencies as reported in the notes to the consolidated financial statements of the Group for the year ended December 31, 2022, except for the following:

i) The Holding Company's appeal filed before CIR(A) dated July 13, 2022 against the impugned order u/s 11 of STA has not been succeeded. Resultantly, the Holding Company has filed an appeal before the ATIR in May 2023 against the adverse order of CIR(A) which is pending for adjudication as of date. The assessing officer had earlier raised a demand of Rs 122 Million against the Holding Company by disallowing the admissibility of sales tax on various items claimed during July 2020 to June 2021 and invoking the provisions of section 8 of STA.

ii) The LHC, through ex-parte order dated December 15, 2022, remanded the case back to CIR(A) for afresh adjudication and dismissed the favourable order of ATIR. Previously, the Department filed the appeal before the ATIR against the order of CIR(A) wherein the order issued u/s 11 of STA was set aside. The assessing officer had earlier raised the impugned demand of Rs 123 Million on account of sales tax audit conducted u/s 72B of STA for the periods from July 2013 to June 2014.

Further, following are the contingencies as a result of asset acquisition relating to PFL as explained in note 1.2:

i) The Holding Company has netted off an amount of Rs 240.12 million from the amount payable to PC, as part of purchase consideration, at the time and in the event the refund is received from the tax authorities. In case, the Holding Company's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the Holding Company is contingently liable to the aforesaid amount of Rs 240.12 million. In case, the amount becomes payable, the corresponding effect would be reflected in the computation of goodwill. Furthermore, the Holding Company issued a bank guarantee amounting to Rs 240 million in favour of PC in this respect, which will expire on November 1, 2023.

ii) The Holding Company has also issued following guarantees in favour of:

– Sui Northern Gas Pipelines Limited (SNGPL) against Regasified Liquefied Natural Gas ('RLNG') and natural gas sale amounting to Rs 1,242.00 million (December 31, 2022: Rs 1,203.70 million).

– Mari Petroleum Company Limited (MPCL) against natural gas sale amounting to Rs 2,600 million (December 31, 2022: Rs 2,645 million).

– Various banks as security against finance obtained by its subsidiary, Fatima Packaging Limited amounting to Rs 1,642 million (December 31, 2022: Rs 875 million).

iii) As at June 30, 2004, the Holding Company had investment of 140,000 ordinary shares of Rs 10 each valuing Rs 100,000 in National Fertilizer Marketing Limited, being the associated company on that date. On May 20, 2005, this investment was transferred to National Fertilizer Corporation of Pakistan (Private) Limited by the management of the Holding Company. However, the new buyer, REL filed an application before PC challenging this transfer on the grounds that such transfer had been carried out against the terms and conditions of the bid documents. In case of a positive outcome to the application, this investment would be re instated.

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iv) An amount of Rs 129.17 million was withdrawn by the previous members of the Holding Company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement ('the Agreement'). Out of the aggregate amount, Rs 89.39 million represents the value of certain catalysts recovered in consequence of clean down operations of the plant prior to undertaking the process of privatization, which was accounted for as income in the financial statements for the year ended June 30, 2005 in the light of applicable financial reporting framework.

The management of the Holding Company feels that notwithstanding the applicability of the financial reporting framework, on the financial statements for the year ended June 30, 2005, the amount was not distributable as part of dividend for that year in view of the clear understanding behind the execution of the Agreement as categorically confirmed, in writing, by PC prior to signing of the Agreement. Similarly, the balance amount of Rs 39.78 million is considered to be dividend distribution out of the then available reserves which was also not distributable to the previous members in terms of other covenants of the Agreement.

The Holding Company has filed a claim for the recovery of the aforesaid aggregate amount on the grounds that in the present form, the distribution has been made out of the accumulated reserves, for the years up to June 30, 2004, which, under the specific provisions of the Agreement were not distributable to the previous members of the Holding Company. In case of a positive outcome to the Holding Company's claim, the excess dividend withdrawn by the previous members of the Holding Company would be recovered.

v) Through a show cause notice, the tax department raised the issue of short payment of output sales tax on supplies of the Holding Company's fertilizer product, Calcium Ammonium Nitrate ('CAN') for the period from April 18, 2011 to December 31, 2011 involving a principal sales tax demand of Rs 500 million. Such issue was raised on the grounds that notification SRO 15(I)/2006, providing for levy of sales tax on the basis of 'notified price' of CAN, was withdrawn through notification SRO 313(I)/2011 dated April 18, 2011 and hence, the Holding Company was legally required to recover output sales tax on supplies of CAN on the basis of actual consideration received there against. The Holding Company had already approached the Federal Board of Revenue ('FBR') on the issue for condonation in terms of section 65 of the Sales Tax Act, 1990, which was not entertained. The Holding Company had assailed such order through institution of a writ petition before the LHC on the grounds that relevant powers have been exercised in an arbitrary manner without referring the matter to competent authority as required under the law. Such petition was allowed by the Honourable LHC through its order dated June 21, 2017 and the Holding Company was thereby directed to make a fresh application under section 65 of the Sales Tax Act, 1990. In compliance with the directions issued by the Honourable LHC in the aforementioned petition, the Commissioner Inland Revenue examined the fresh application made by the Holding Company in accordance with the procedure laid down in Para 50 of the Sales Tax General Order No. 3 of 2004. However, the application was rejected and the same was therefore not referred to the FBR. Being aggrieved, the Holding Company filed a writ petition before the Honourable LHC whereby operation of the impugned order shall remain suspended till final decision. Since management considers that the Holding Company's stance is based on meritorious grounds and hence, relief would be secured, no provision on this account has been made in these consolidated financial statements.

vi) For assessment years 1993-94 and 1995-96 through 2002-2003 and for tax years 2003 through 2005, the Holding Company, in view of the position taken by the tax authorities that the income of the Holding Company is chargeable to tax on the basis of 'net income', had provided for in the financial statements the tax liability on net income basis which aggregated to Rs 5,223.34 million. Tax liabilities admitted in respective returns of total income in respect of these assessment/tax years, however, aggregated to Rs 1,947.67 million being the liabilities leviable under the Presumptive Tax Regime ('PTR'), considered by the management to be applicable in respect of the Holding Company's income from sale of own manufactured fertilizer products.

The Appellate Tribunal Inland Revenue ('ATIR') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-03 upheld the Company's position as taken in respective returns of total income and consequently, management reversed the excess provisions aggregating to Rs 3,275.67 million on the strength of such judgments. ATIR's decisions in respect of certain assessment years have also been upheld by the Honourable Lahore High Court while disposing departmental appeals against respective orders of ATIR. Income tax department has statedly agitated the issue further before the Honourable Supreme Court of Pakistan, which was decided in favour of the company via order of Honourable Supreme Court of Pakistan as passed on March 13, 2023.

vii) Included in trade debts is an amount of Rs 18.88 million which has not been acknowledged as debts by its customers due to a dispute regarding the discount on the product's price. The Holding Company's customers had collectively filed an appeal regarding the price dispute before the Honourable Civil Court, Multan, which decided the case in favour of the Holding Company's customers. The Holding Company preferred an appeal before the Honourable District and Sessions Court, Multan which set aside the order of the Civil Court. The Holding Company's customers filed a revised petition before the LHC against the order of the District and Sessions Court, which is pending for adjudication. Based on the advice of the Holding Company's legal counsel, the Holding Company's management considers that there are meritorious grounds to defend the Holding Company's stance and hence, no provision has been made in these consolidated financial statements on this account.

viii) During the year ended December 31, 2015, through a show cause notice, the tax department had raised the issue of non-payment of output sales tax on stock of fertilizer product transferred to various warehouses of the Holding Company involving a principal sales tax demand of Rs 909.13 million (not including default surcharge which will be calculated at the time of deposit) along with a penalty equal to 100% of the principal sales tax demand. Such issue was raised on the grounds that the above mentioned transfers constitute 'supply' in terms of section 2(44) of the Sales Tax Act, 1990, and hence, the same have been made without payment of sales tax. The management had assailed the subject order in usual appellate course before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] and CIR(A) decided the matter in Holding Company's favour through its order dated April 14, 2016 whereby the aforementioned demand stood annulled. Being aggrieved, the department filed an appeal against the aforementioned order of CIR(A) before the ATIR which has been rejected by the ATIR through order dated December 13, 2022 and the matter has been decided in the Holding Company's favour. To date, no further proceedings have been made in the aforementioned case.

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ix) On July 5, 2006, Pakistan National Shipping Corporation ('PNSC') filed a recovery suit for USD 1.5 million against the Holding Company before the Civil Court, Lahore claiming that it had suffered losses as the Holding Company unilaterally terminated the Charter Party Agreement ('CPA') between the PNSC and the Holding Company. As per the terms of the CPA, PNSC was to transport 300,000 metric tons of rock phosphate for the Holding Company between February 1, 2005 to May 31, 2006 at a rate of USD 41 per metric ton from Casablanca port to Karachi port. However, PNSC claimed that the Company had unilaterally terminated the CPA after its privatization in 2005. The Holding Company also filed a counter suit against PNSC claiming that it had violated the terms of the CPA by diverting ships carrying Holding Company's cargo to other ports causing the Holding Company's cargo to arrive later than expected resulting in loss to the Holding Company. The Court referred the matter to the arbitrator who through its award dated April 22, 2010 decided the matter in PNSC's favour and confirmed its claim at USD 1.3 million (equivalent to Rs 80.23 million converted at the average exchange rate prevailing during the period starting from August 01, 2005 to May 31, 2006), and mark up at the rate of 14% to be calculated from the date of award till the time of deposit that works out to Rs 147.83 million as of June 30, 2023. The Holding Company being aggrieved had filed an application against the award of arbitrator before the Civil Court, Lahore where the Learned Judge made the award Rule of Court. Further, the Holding Company then filed an appeal against the decision of the Learned Civil Court, Lahore before LHC which, through an order dated May 24, 2021, has stayed the operations of the impugned judgment and decree of the Learned Civil Court, Lahore. Based on the advice of the Holding Company's legal counsel, the management considers that Holding Company's stance is based on meritorious grounds and relief would be secured from the Court, hence, no provision on this account has been made in these consolidated financial statements. Furthermore, the Holding Company issued a bank guarantee amounting to Rs 70 million in favour of LHC in this respect.

x) In 2017, the Holding Company exported fertilizer to a customer, however, the customer claimed damages in respect of Holding Company's failure to comply with contractual specifications of the fertilizer. The customer served a request for arbitration before the London Court of International Arbitration ('LCIA'). On July 6, 2020, the LCIA declared its Final Partial Award ('Award') against the Holding Company wherein the Holding Company was ordered to pay an amount aggregating to USD 6,499,100 that translates to Rs 1,865.89 million as of June 30, 2023. As per the advice of the Holding Company's legal counsel, the Award can only be enforced against the Holding Company in the courts of Pakistan. The Holding Company intends to challenge any such enforcement proceedings on the grounds that the Award is contrary to the public policy of Pakistan and has been rendered without proper appreciation of the evidence.

During the previous year, the customer filed an application dated February 08, 2022, under section 6 of the Recognition and Enforcement (Arbitration agreements and Foreign Arbitral Awards) Act 2011 before the LHC for recognition and enforcement of Foreign Arbitral Award in Pakistan. The Holding Company in response to that, filed a reply before the LHC, that it would be unjust and inequitable to recognize and enforce final partial award and that the LHC should dismiss the application of the aggrieved customer in its entirety with associated costs. No further proceedings have been made in the aforementioned case. In light of the legal advice, the Holding Company has good grounds of challenging the said Award, therefore, no provision in respect of the abovementioned amount has been made in these consolidated financial statements.

xi) The Deputy Commissioner Inland Revenue ('DCIR'), through an order dated January 20, 2011, passed under sections 122 and 182 of the Income Tax Ordinance, 2001 ('Ordinance'), had raised a demand of Rs 451.42 million, including penalty of Rs 169.20 million, for tax year 2006 by disallowing certain expenses and adding into income amount representing 'service charges'. The Holding Company had preferred an appeal before the CIR(A) against the order of the DCIR, which was annulled by the CIR(A) through order dated June 25, 2011. Being dissatisfied, the department filed an appeal before the ATIR which annulled the aforementioned order of the CIR(A) through its order dated October 23, 2020 and restored the DCIR's order. The Holding Company assailed the aforementioned order of the ATIR in the usual appellate course before the Honourable Lahore High Court wherein LHC through order dated May 19, 2022 remanded back the issue to ATIR for denovo proceedings. The remand back proceedings have not yet been started. Management considers that there are strong grounds to support the Holding Company's stance and thus, no provision has been made in these consolidated financial statements for an amount of Rs 282.22 million.

xii) Based on audit proceedings conducted under section 25 of the Sales Tax Act, 1990 ('STA') for tax periods July 2016 to June 2017, the Assistant Commissioner Inland Revenue, Audit, Large Taxpayers Office, Multan raised a sales tax demand of Rs 1,176 million in the Holding Company's case, through assessment order dated July 29, 2021 passed under section 11 of the STA, inter alia on account of alleged suppression of production and sale of fertilizers. The Holding Company has assailed such order in appeal before CIR(A) under relevant legal provisions. CIR(A) through order dated February 24, 2022 decided the case in the favour of the Holding Company on legal grounds for selection of audit under section 25 of STA. The department has assailed the order of CIR(A) before ATIR for which adjudication is pending as of date. The management considers that there are strong grounds to support the Holding Company's stance and thus, no provision has been made in these consolidated financial statements in respect of such tax demand.

xiii) The Assistant Commissioner Inland Revenue (ACIR), through assessment order dated November 26, 2021, raised a sales tax demand of Rs 1,606.50 million against the Holding Company on the grounds that the group had not charged and deposited sales tax on sale of various plants and machineries to FATIMA. The order of ACIR was also confirmed by the CIR(A) through appellate order dated April 1, 2022. The Holding Company agitated the said order in an appeal before the Appellate Tribunal Inland Revenue, which is not disposed of to date. The management considers that supply of plant and machineries, being made as an ongoing concern to a registered person, was covered under the scope of section 49(2) of the STA and thus, such sale transaction was subject to sales tax at 'zero percent' and thus, such tax demand is not sustainable in appeal. Accordingly, no provision has been made in these consolidated financial statements for the above mentioned amount.

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xiv) The ACIR raised a sales tax demand of Rs 307.77 million against the Holding Company primarily for not charging sales tax on sale of 'aircraft', which was also confirmed by the CIR(A) through appellate order dated May 6, 2021. The Holding Company agitated the said order in an appeal before the Appellate Tribunal Inland Revenue, which stands disposed of in the Holding Company's favour as of December 31, 2022 by appellate order dated June 14, 2022. The management considers that sale of 'aircraft' was subject to sales tax at the rate of 'zero' percent in terms of section 4 read with Fifth Schedule to the Sales Tax Act, 1990 and thus, such tax demand is not sustainable in appeal. Accordingly, no provision has been made in these consolidated financial statements on this issue.

xv) The ACIR amended the Holding Company's assessment for tax year 2015 under section 122(5A) of the Income Tax Ordinance, 2001 through amendment order dated June 7, 2021, raising a tax demand of Rs 239.144 million. The aforesaid order was also confirmed by the CIR(A) through appellate order dated June 8, 2021 passed under section 129 of the Ordinance. The management considers that such tax demand primarily relates to additions of 'unsecured loans' of Rs 825.99 million and provision for workers' profit participation fund of Rs 613.236 million, framed by the assessing officer under sections 39(3) and 34(5) of the Ordinance respectively without properly appreciating the relevant factual and legal position of the case. The Holding Company has preferred an appeal before the ATIR against the order passed by the CIR(A). Accordingly, no provision has been made in these consolidated financial statements for the above mentioned amount.

xvi) The ACIR through order dated February 25, 2022 passed under section 11 of the Sales Tax Act, 1990 ('STA') raised a sales tax demand of Rs 1,800 million on the grounds that since the Holding Company had sold its manufacturing plant and machineries, it was no longer classifiable as a manufacturer and thus, input sales tax of Rs 898.73 million claimed by it during the tax periods of January 2021 through November 2021 was disallowed. Further, the ACIR also imposed penalty of Rs 898.73 million against the Holding Company in terms of section 33 of the STA. The Holding Company being aggrieved, assailed such order in appeal before the CIR(A) which was decided against the Holding Company by the CIR(A) through order dated November 15, 2022. The Holding Company has challenged the said appellate order in appeal before the ATIR which is pending adjudication. The management considers that since subject input tax was incurred on goods and services acquired for the business purposes, the same was duly admissible to the Holding Company. Accordingly, no provision has been made in these consolidated financial statements on this account.

xvii) The concerned assessing officer amended the Holding Company's assessment through order dated June 26, 2020 passed for tax year 2014, as rectified through order dated January 20, 2021, and in consequence thereof, income tax refunds of Rs 257.71 million declared for such tax year stood curtailed to Rs 110 million. The Holding Company's appeal against aforesaid amendment order was dismissed by the CIR(A) through appellate order dated June 7, 2021. Being aggrieved, the Holding Company has further assailed the decision of CIR(A) in appeal before the ATIR, which has not yet been taken up for hearing. The issues forming basis of subject amendment primarily include disallowance of brought forward losses of

Rs 2,298.54 million, addition of various capital expenditures aggregating Rs 182.80 million towards the Holding Company's taxable income in terms of section 111 of the Ordinance, imposing tax of Rs 133.72 million on preference dividend and disallowance of tax credit of Rs 10.90 million claimed by Holding Company under section 65B of the Income Tax Ordinance, 2001. In this respect, the management considers that such issues were framed/upheld by concerned officials in a disregard to the relevant legal/factual position of the case and accordingly, no provision has been made in these consolidated financial statements on this account.

xviii) The ACIR through order dated June 16, 2022 passed under section 11 of the STA, raised a sales tax demand of Rs 50.45 million on the grounds that since the Holding Company had sold its manufacturing plant & machineries, it was no longer classifiable as a manufacturer and thus, input sales tax of Rs 25.23 million claimed by it during the tax periods of July 2020 through June 2021 was disallowed. Further, the ACIR also imposed a penalty of Rs 25.23 million against the Holding Company in terms of section 33 of the STA. The management considers that subject input tax was duly admissible to the Company as it incurred it on goods and services acquired for the business purposes. Accordingly, the Holding Company preferred an appeal before the CIR(A) against the adverse order.

CIR(A) through order dated January 23, 2023 (serviced on May 5, 2023) rejected the allegations regarding sales tax fraud and set aside the departmental action of levying hundred percent penalty against the companies. However, the demand raised on account of disallowance of input tax relating to various goods/ services have been confirmed in a slipshod manner without considering the submissions made and documentary evidence furnished by the Company during the course of appellate proceedings. The Holding Company filed an appeal against such order on May 8, 2023 before ATIR which is pending for adjudication as of date.

Foregoing in view, no provision has been made in these consolidated financial statements on this account.

xix) The ACIR amended the Holding Company's assessment for tax year 2016 under section 122(5) of the Income Tax Ordinance, 2001 through amendment order dated June 30, 2022, raising a tax demand of Rs 2,825.81 million. The Holding Company's contentions in respect of majority of the issues raised during audit proceedings have been accepted; however, adverse inferences have been drawn on account of alleged difference in actual production/sales of Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP) and that estimated on the basis of stoichiometric ratio, disallowance of certain expenses, addition on accent of subsidy received from GoP and disallowance of adjustment of brought forward losses.

ACIR has made additions on account of such aforementioned issues without properly appreciating the relevant factual and legal position of the case. The Holding Company has preferred an appeal before the CIR(A) and it feels that there are meritorious grounds that the ultimate decision would be made in the Holding Company's favour. Accordingly, no provision has been made in these consolidated financial statements for the above mentioned amount.

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

For the six months ended June 30, 2023

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
14.2 Commitments in respect of:			
(i) Contracts for capital expenditure		2,977,692	1,227,199
(ii) Contracts other than capital expenditure		8,808,131	3,129,344
(iii) Letter of guarantees		62,100	62,100
(iv) The amount of future payments under ijarah rentals and short term / low value leases:			
- Not later than one year		1,049,415	934,687
- Later than one year but not later than five years		1,483,017	1,284,040
		2,532,432	2,218,727
15 Property, plant and equipment			
Operating fixed assets	15.1	109,448,956	109,139,930
Capital work in progress	15.2	11,837,538	10,416,472
		121,286,494	119,556,402
15.1 Movement of operating fixed assets			
Opening book value		109,139,930	99,741,174
Additions during the period / year	15.1.1	3,138,482	5,257,360
Additions as a result of asset acquisition	1.2	–	8,801,955
Additions as a result of acquisition of subsidiaries		–	2,193,615
Elimination as a result of asset acquisition - (right of use asset)		–	(1,138,236)
		112,278,412	114,855,868
Less: Depreciation charged during the period / year		2,816,962	5,471,235
Book value of disposals during the period / year		12,494	244,703
Closing book value		109,448,956	109,139,930
15.1.1 Additions during the period / year			
Freehold land		161,894	1,604,281
Building on freehold land		58,231	61,019
Plant and machinery		1,836,055	2,267,607
Catalysts		542,647	57,067
Furniture and fixtures		39,182	52,328
Office equipment		14,874	41,108
Electric installations and appliances		225,068	456,087
Computers		76,811	221,924
Vehicles		183,720	343,626
Right of use assets		–	152,313
		3,138,482	5,257,360

15.1.2 Operating fixed assets include right of use assets of Rs 229.63 million (December 31, 2022: Rs 264.62 million).

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
15.2 Capital work in progress			
Civil works		505,255	430,396
Plant and machinery		5,821,830	3,300,265
Capital stores		3,561,363	4,348,937
Intangible asset		402	402
Advances:			
- Freehold land		416,702	379,986
- Plant and machinery		1,531,986	1,956,486
		1,948,688	2,336,472
		11,837,538	10,416,472
15.2.1 Movement of capital work in progress			
Opening balance		10,458,278	5,694,759
Additions as a result of acquisition of subsidiaries		–	4,520
Addition as a result of asset acquisition	1.2	–	52,533
Additions during the period / year		2,275,298	7,855,730
		12,733,576	13,607,542
Less: Capitalization during the period / year		860,569	3,149,264
		11,873,007	10,458,278
Less: Provision for slow moving capital stores		35,469	41,806
Closing balance		11,837,538	10,416,472
16 Intangible assets			
Opening book value		3,786,096	3,608,877
Addition as a result of asset acquisition		–	82,915
Additions during the period / year		48,823	148,109
		3,834,919	3,839,901
Less: Amortization charged during the period / year		37,099	53,805
Impairment charged during the period / year		885,000	–
Closing book value		2,912,820	3,786,096
17 Investment property			
Opening book value		165,419	775,339
Less: Transferred during the period / year		–	609,014
		165,419	166,325
Less: Depreciation charged during the period / year		453	906
Closing book value		164,966	165,419

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

For the six months ended June 30, 2023

	June 30, 2023	Restated December 31, 2022
	(Rupees in thousand)	
18 Stores and spares		
Stores	972,559	1,041,522
Spares	9,903,217	10,830,053
Catalyst and chemicals	4,072,515	4,514,849
	14,948,291	16,386,424
Less: Provision for slow moving stores and spares	420,366	395,186
	14,527,925	15,991,238
19 Stock in trade		
Raw materials {including in transit Rs 1,317.93 million (December 31, 2022: Rs 3,908.20 million)}	5,719,530	6,919,091
Packing materials	538,130	78,112
Work in process	116,320	58,123
Mid products		
Ammonia	111,005	161,252
Nitric acid	33,811	19,941
Others	3,775	2,318
	148,591	183,511
Finished goods		
Own manufactured		
Urea	2,101,953	59,323
NP	23,961,016	28,885,503
CAN	312,318	32,477
Others	80,196	30,051
Certified emission reductions	–	42,810
	26,455,483	29,050,164
Purchased for resale	4,890,126	9,486,133
	37,868,180	45,775,134

	Note	For the three months ended		For the six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		(Rupees in thousand)			
20 Sales					
Revenue from contracts with customers					
Local sales	20.1	47,181,874	32,922,928	85,233,493	62,036,944
Export sales		–	–	34,781	–
Certified emission reductions		–	246,642	–	246,642
		47,181,874	33,169,570	85,268,274	62,283,586

	Note	For the three months ended		For the six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		(Rupees in thousand)			
20.1 Local sales					
Own manufactured		46,430,930	22,137,888	81,440,198	42,465,842
Toll manufacturing		–	11,538,153	–	20,185,447
Purchased for resale		1,372,890	698,930	5,539,121	1,326,455
Mid products		555,692	371,299	1,036,696	687,884
		48,359,512	34,746,270	88,016,015	64,665,628
Less: Sales tax		89,581	748,107	784,639	1,387,878
Discounts		1,088,057	1,075,235	1,997,883	1,240,806
		47,181,874	32,922,928	85,233,493	62,036,944
21 Cost of sales					
Raw material consumed		19,618,554	15,170,856	31,901,089	29,273,213
Packing material consumed		79,175	787,301	217,122	1,516,794
Salaries, wages and other benefits		2,428,985	2,340,229	4,844,256	3,891,826
Fuel and power		3,177,152	2,145,775	5,481,052	4,581,971
Chemicals and catalyst consumed		756,281	758,262	1,618,896	1,474,700
Stores and spares consumed		800,693	623,867	1,649,668	1,808,865
Technical assistance		93,878	98,863	137,051	197,326
Repair and maintenance		223,347	2,147,271	3,075,446	2,554,958
Insurance		521,382	274,178	1,045,074	524,125
Travelling and conveyance		83,428	58,563	157,477	107,363
Rent, rates and taxes		270,379	153,476	417,113	277,884
Vehicle running and maintenance		86,461	51,834	172,086	103,843
Depreciation		1,327,552	1,254,639	2,651,257	2,503,586
Others		33,313	73,597	46,106	155,894
Subsidy on RLNG released by GOP to SNGPL	21.1	–	(4,576,781)	(4,750,593)	(7,892,654)
Manufacturing cost		29,500,580	21,361,930	48,663,100	41,079,694
Opening stock of work in process		55,152	–	58,123	–
Closing stock of work in process		(116,320)	–	(116,320)	–
Opening stock of mid products		187,696	115,043	183,511	122,564
Closing stock of mid products		(148,591)	(185,202)	(148,591)	(185,202)
Cost of goods manufactured		29,478,517	21,291,771	48,639,823	41,017,056
Opening stock of finished goods		28,230,472	8,810,296	29,050,164	5,514,312
Closing stock of finished goods		(26,455,483)	(13,484,256)	(26,455,483)	(13,484,256)
Cost of sales - own manufactured		31,253,506	16,617,811	51,234,504	33,047,112
Cost of sales - purchased for resale		1,285,291	499,266	4,883,480	933,422
		32,538,797	17,117,077	56,117,984	33,980,534

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

For the six months ended June 30, 2023

21.1 This represents subsidy related to prior year, released by Government of Pakistan (GoP) to SNGPL, as the difference between full RLNG price billed to the Holding Company (Sheikhupura Plant) by SNGPL and the gas price capped by GoP for fertilizer plants operating on RLNG.

22 Administrative expenses

This includes donation amounting to Rs 227.51 million to Mian Mukhtar A. Sheikh Trust, a related party.

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in thousand)			
23 Finance cost				
Markup on long term finances	443,307	223,706	863,636	393,884
Markup on short term finances	846,275	146,088	1,363,825	274,823
Markup on short term loans from associated companies	97,332	–	172,721	–
Interest on lease liabilities	6,737	37,771	13,004	76,592
Bank charges and others	174,483	350,222	378,272	429,269
	1,568,134	757,787	2,791,458	1,174,568
24 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	1,192,773	167,038	5,234,038	5,857,046
	(Number of shares)			
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
	(Rupees)			
Basic and diluted earnings per share (Rupees)	0.57	0.08	2.49	2.79

25 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. Amounts due from and to related parties are shown under other receivables, trade and other payables. Significant transactions with related parties are as follows:

		For the six months ended	
		June 30, 2023	June 30, 2022
		(Rupees in thousand)	
Relationship with the Group	**Nature of transaction**		
Associated companies	Purchase of packing material	–	1,537,521
	Purchase of raw material	–	1,438,446
	Purchase of stores and spares	–	653,451
	Sale of finished goods	618,195	–
	Sale of mid products	–	73,240
	Lease rental and license fee	271,200	79,200
	Payment against sales collection	–	25,736,267
	Toll manufacturing revenue	–	20,185,447
	Fee for services	43,753	2,217,686
	Miscellaneous expenses	1,394	65,840
	Markup income	492,148	668,320
	Markup expense	172,721	–
Directors and key management personnel	Remuneration including benefits and perquisites	710,115	384,430
Retirement benefit plans	Retirement benefits	313,304	189,420

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

For the six months ended June 30, 2023

	Note	For the six months ended June 30, 2023	June 30, 2022
		(Rupees in thousand)	
26 Cash generated from operations			
Profit before tax		15,922,650	18,845,515
Adjustments for:			
Depreciation on property, plant and equipment	15.1	2,816,962	2,636,334
Amortization of intangible assets	16	37,099	20,162
Impairment of brand	16	885,000	1,180,000
Depreciation on investment property	17	453	452
Finance cost	23	2,791,458	1,174,568
Unwinding of provision for GIDC		127,876	149,230
Unwinding of liability of subordinated redeemable preference shares	7	99,601	–
Loss allowance on subsidy receivable from GoP		132,056	54,862
Provision for staff retirement benefits		205,528	117,396
Provision for slow moving stores and spares		18,843	50,578
(Gain) / loss on remeasurement of investments - FVTPL		(132,213)	424,008
Profit on loan to an associated company		(492,148)	(668,320)
Dividend income		(268,469)	(93,365)
Share of profit from associates		(6,024)	(25,188)
Profit on saving accounts		(193,107)	(103,021)
Loss / (gain) on disposal of property, plant and equipment		5,790	(2,935)
		6,028,705	4,914,761
Operating cash flows before working capital changes		21,951,355	23,760,276
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		1,444,470	(2,689,855)
Stock in trade		7,906,954	(2,610,802)
Trade debts		(2,554,253)	(2,036,765)
Advances, deposits, prepayments and other receivables		(363,729)	(3,698,836)
(Decrease) / increase in creditors, accrued and other liabilities		(7,678,330)	4,945,006
		(1,244,888)	(6,091,252)
		20,706,467	17,669,024

27 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 (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	4,103,511	–	–	4,103,511
Investment - FVTOCI	–	600,000	–	600,000
Total assets at fair value	4,103,511	600,000	–	4,703,511

	December 31, 2022 (Restated)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	4,226,509	–	–	4,226,509
Investment - FVTOCI	–	600,000	–	600,000
Total assets at fair value	4,226,509	600,000	–	4,826,509

28 Non adjusting event after reporting date

The Board of Directors of the Holding Company in its meeting held on August 28, 2023 has approved an interim cash dividend of Rs 1.75 per share for the six months ended June 30, 2023, aggregating to Rs 3,675 million. These condensed interim consolidated financial statements do not include the effect of the said interim dividend.

29 General

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

29.2 These condensed interim consolidated financial statements have been authorized for issue on August 28, 2023 by the Board of Directors of the Holding Company.

Chief Executive Officer **Director** **Chief Financial Officer**

CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

For the six months ended
June 30, 2023

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN AUDITED)

As at June 30, 2023

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 3,700,010,000 (December 31, 2022: 3,700,010,000) shares of Rs 10 each	4	37,000,100	37,000,100
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2022: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	5	83,865,710	86,089,184
		104,865,710	107,089,184
NON CURRENT LIABILITIES			
Long term finances - secured	6	6,898,836	8,586,731
Subordinated redeemable preference Class A shares	7	1,365,887	1,266,286
Lease liabilities		127,209	152,896
Deferred taxation		28,700,294	24,366,344
Deferred government grant		541,492	–
Deferred liabilities	8	2,232,704	2,927,257
Long term deposits		496,980	435,348
		40,363,402	37,734,862
CURRENT LIABILITIES			
Trade and other payables		51,818,490	59,394,984
Accrued finance cost		1,193,296	1,071,771
Income tax payable	9	3,413,881	3,602,313
Short term finances - secured	10	17,664,189	14,909,740
Short term loans from associated companies	11	1,626,307	1,626,307
Payable to Privatization Commission of Pakistan	12	2,197,901	2,197,901
Unclaimed dividend		55,568	46,429
Current portions of long term liabilities	13	2,898,819	3,421,126
		80,868,451	86,270,571
CONTINGENCIES & COMMITMENTS	14		
		226,097,563	231,094,617

The annexed explanatory notes from 1 to 32 form an integral part of these condensed interim financial statements.

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	118,396,224	116,674,951
Intangible assets	16	2,912,820	3,786,096
Investment property	17	164,966	165,419
		121,474,010	120,626,466
Long term investments	18	3,560,711	2,454,688
Long term advances and deposits	19	2,072,202	2,116,913
		5,632,913	4,571,601
		127,106,923	125,198,067
CURRENT ASSETS			
Stores and spares	20	14,400,182	15,861,618
Stock in trade	21	37,018,249	44,837,187
Trade debts		15,694,691	13,332,110
Short term loan to an associated company		4,999,723	4,999,723
Advances, deposits, prepayments and other receivables	22	20,184,892	20,029,456
Short term investments		4,009,965	4,133,750
Cash and bank balances		2,682,938	2,702,706
		98,990,640	105,896,550
		226,097,563	231,094,617

Chief Executive Officer **Director** **Chief Financial Officer**

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the six months ended June 30, 2023

	Note	Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		(Rupees in thousand)			
Sales	23	46,776,713	33,169,570	83,977,338	62,283,586
Cost of sales	24	(32,494,560)	(17,117,077)	(55,689,706)	(33,980,534)
Gross profit		14,282,153	16,052,493	28,287,632	28,303,052
Selling and distribution expenses		(2,020,840)	(1,897,457)	(4,509,248)	(3,326,745)
Administrative expenses	25	(1,547,933)	(1,352,905)	(3,483,924)	(2,484,344)
		10,713,380	12,802,131	20,294,460	22,491,963
Finance cost	26	(1,513,669)	(757,787)	(2,660,794)	(1,174,568)
Other operating expenses		(987,187)	(1,915,052)	(3,143,063)	(3,178,443)
		8,212,524	10,129,292	14,490,603	18,138,952
Other income		715,463	534,217	1,179,148	874,522
Share of profit from associates		2,981	17,407	6,024	25,188
Other losses:					
- Unwinding of provision for GIDC		(74,840)	(71,639)	(127,876)	(149,230)
- Loss allowance on subsidy receivable from GoP		(98,376)	(27,431)	(132,056)	(54,862)
		(173,216)	(99,070)	(259,932)	(204,092)
Profit before tax		8,757,752	10,581,846	15,415,843	18,834,570
Taxation		(7,508,713)	(10,425,917)	(10,289,317)	(12,988,633)
Profit for the period		1,249,039	155,929	5,126,526	5,845,937
Earnings per share - basic and diluted (Rupees)	27	0.59	0.07	2.44	2.78

The annexed explanatory notes from 1 to 32 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, 2023

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in thousand)			
Profit for the period	1,249,039	155,929	5,126,526	5,845,937
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of post retirement benefits obligation	–	(100,242)	–	(100,242)
Related tax thereon	–	33,080	–	33,080
Share of other comprehensive loss from associates	–	(7,725)	–	(7,725)
Related tax thereon	–	1,159	–	1,159
Other comprehensive income - net of tax	–	(73,728)	–	(73,728)
Total comprehensive income for the period	1,249,039	82,201	5,126,526	5,772,209

The annexed explanatory notes from 1 to 32 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 six months ended June 30, 2023

	Ordinary share capital	Capital reserve Share premium	Revenue reserve Unappropriated profit	Post retirement benefit obligation reserve	Total
	(Rupees in thousand)				
Balance as at December 31, 2021 (Audited)	21,000,000	1,790,000	77,593,523	(120,083)	100,263,440
Profit for the period	–	–	5,845,937	–	5,845,937
Other comprehensive income	–	–	(6,566)	(67,162)	(73,728)
Total comprehensive income	–	–	5,839,371	(67,162)	5,772,209
Transaction with owners:					
- Final dividend for the year ended December 31, 2021 @ Rs 3.50 per share	–	–	(7,350,000)	–	(7,350,000)
Balance as at June 30, 2022 (Un audited)	21,000,000	1,790,000	76,082,894	(187,245)	98,685,649
Balance as at December 31, 2022 (Restated)	21,000,000	1,790,000	84,538,936	(239,752)	107,089,184
Profit for the period	–	–	5,126,526	–	5,126,526
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	5,126,526	–	5,126,526
Transaction with owners:					
- Final dividend for the year ended December 31, 2022 @ Rs 3.50 per share	–	–	(7,350,000)	–	(7,350,000)
Balance as at June 30, 2023 (Un audited)	21,000,000	1,790,000	82,315,462	(239,752)	104,865,710

The annexed explanatory notes from 1 to 32 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, 2023

	Note	Six months ended June 30, 2023	June 30, 2022
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	29	19,528,036	17,648,924
Net increase in long term deposits		61,632	124,867
Finance cost paid		(2,511,578)	(964,529)
Taxes paid		(6,143,797)	(2,998,790)
Employee retirement benefits paid		(184,075)	(59,373)
Net cash generated from operating activities		10,750,218	13,751,099
Cash flows from investing activities			
Additions in property, plant and equipment		(4,523,822)	(4,008,308)
Additions in intangible assets		(48,823)	(29,532)
Proceeds from disposal of property, plant and equipment		6,704	12,642
Long term investments made		(1,100,000)	(1,050,031)
Short term investments made		–	(2,240,158)
Proceeds from short term investments		255,212	113,468
Profit received on loans and saving accounts		637,924	75,115
Dividend income received		266,608	93,365
Net decrease / (increase) in long term advances and deposits		44,711	(628,809)
Net cash used in investing activities		(4,461,486)	(7,662,248)
Cash flows from financing activities			
Proceeds from long term finances		–	5,235,656
Repayment of long term finances		(1,681,947)	(1,061,719)
Repayment of lease liabilities		(40,141)	(171,817)
Dividend paid		(7,340,861)	(9,081,830)
Net increase / (decrease) in short term finances		1,613,663	(4,554,236)
Net cash used in financing activities		(7,449,286)	(9,633,946)
Net decrease in cash and cash equivalents		(1,160,554)	(3,545,095)
Cash and cash equivalents at the beginning of the period		(3,595,823)	5,642,736
Cash and cash equivalents at the end of the period		(4,756,377)	2,097,641
Cash and cash equivalents comprises of following:			
Cash and bank balances		2,682,938	4,098,528
Running finance		(7,439,315)	(2,000,887)
Cash and cash equivalents at the end of the period		(4,756,377)	2,097,641

The annexed explanatory notes from 1 to 32 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, 2023

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 Chichoki Mallian - Sheikhupura, Pakistan.

1.2 The Board of Directors of the Company, in their meeting held on December 5, 2022, had approved a comprehensive business expansion plan and the Scheme of Compromises, Arrangements and Reconstruction ('the Scheme') drafted under the relevant provisions of the Companies Act, 2017, aimed at further consolidation of the fertilizer business by amalgamating its associated company, Pakarab Fertilizers Limited ('PFL') with and into Fatima Fertilizer Company Limited with effect from July 01, 2022.

A petition was submitted in the Lahore High Court ('LHC') for obtaining sanction of this Scheme wherein under the supervision of the LHC, the above Scheme had been duly approved by the shareholders of the Company in its extra ordinary general meeting held on December 31, 2022. The Scheme has been sanctioned on June 27, 2023, through an order by the LHC.

As per the sanctioned scheme, the assets and liabilities of PFL have been acquired by the Company and in consideration, the receivables from PFL comprising trade receivable, loans and the accrued markup thereon as at June 30, 2022, stands relinquished. Further, capital contributories and the shareholders of PFL relinquished their right in the company against which they shall be compensated in the form of Subordinated Redeemable Preference Shares of the Company under the following terms and conditions:

i) Subordinated Redeemable Preference Class A Shares of the Company: Shareholders of PFL shall be issued one (1) Class A Share of the Company against each ordinary share of PFL aggregating to 270,000,000 shares. Face value of such shares will be Rs 10 each. These shares are non voting, neither non cumulative nor cumulative fixed yield and have no dividend or other right. The redemption date shall be December 31, 2027, modifiable upon mutual consent of the Board of Directors of the Company and at least 90% of Class A Shareholders. Redemption value shall be lower of the (i) value as determined by the Company's Board of Directors unanimously, (ii) aggregate face value of Class A Shares or (iii) calculated values of assets and liabilities acquired from PFL as defined in the sanctioned Scheme; and

ii) Subordinated Redeemable Preference Class B Shares of the Company: These shares shall be issued subject to fulfillment of conditions precedent to issue as defined in the sanctioned Scheme i.e. full redemption of Class A shares and unanimous approval of the Company's Board of Directors for issuance. These shares shall be issued to the shareholders and capital contributories of PFL up to a maximum number of 567,369,293 shares having face value of Rs 10 each. These shares are non voting, neither non cumulative nor cumulative fixed yield and have no dividend or other right. Aggregate redemption value of entire set of Class B Shares shall be in accordance with the sanctioned scheme.

Subsequent to sanction of the Scheme effective from July 01, 2022, following assets and liabilities of PFL were taken over by the Company:

ASSETS	Rupees in thousand
Property, plant, and equipment	8,854,488
Intangible assets	82,916
Long term investments (wholly owned subsidiary)	685,279
Long term advances and deposits	125,721
Stores and spares	1,199,911
Stock in trade	8,380,907
Trade debts	193,190
Income tax receivable	2,907,165
Advances, deposits, prepayments, and other receivables	4,320,035
Short term investments	66,610
Cash and bank balances	2,336,178
Total (A)	**29,152,400**
LIABILITIES	
Deferred liabilities	(1,001,946)
Long term finances – secured	(280,561)
Long term deposits	(67,000)
Trade and other payables	(4,708,236)
Accrued finance cost	(277,122)
Short term finances – secured	(4,851,096)
Short term loans from associated companies	(1,626,307)
Payable to Privatization Commission of Pakistan	(2,197,901)
Current portion of long term finances	(1,682,876)
Total (B)	**(16,693,045)**
RECEIVABLE ADJUSTED / PAYABLES RELINQUISHED	
Long term loan from an associated company	(2,999,000)
Long term deposit	(36,000)
Trade and other payables	(5,899,098)
Accrued finance cost	(551,310)
Short term loan from an associated company	(2,000,000)
Advances, deposits, prepayments, and other receivables	200,000
Total (C)	**(11,285,408)**
Subtotal (A+B+C)	**1,173,947**
PAYABLE AGAINST ASSET ACQUISITION	
Present value of redeemable 270,000,000 Class A Shares of Rs 10 each	**(1,173,947)**

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

For the six months ended June 30, 2023

Accordingly, the financial statements of the Company were restated as at December 31, 2022 reflecting the impacts of above balances, eliminations thereon and the transactions for the period ended December 31, 2022. Moreover, statement of profit or loss for the current period is not comparable with the prior period as it includes the impact of operations of PFL in current period.

1.3 These condensed interim financial statements are the separate financial statements of the Company in which investment in subsidiary companies is accounted for on the basis of actual cost less impairment, if any, and investment in associates is accounted for under equity method. Consolidated condensed interim financial statements are prepared separately.

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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 and IFAS, 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 be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2022. Comparative condensed interim statement of financial position is extracted from annual restated financial statements for the year ended December 31, 2022 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 extracted from un audited condensed interim financial statements for the six months ended June 30, 2022.

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 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, 2022. Moreover, following new policies have been adopted:

3.1 Acquisition of assets

The group of assets (including the liabilities assumed) acquired as a result of any arrangement that does not meet the definition of a business are recognized under the asset acquisition method.

Upon the acquisition of net assets, the Company identifies and recognizes the assets acquired and liabilities assumed at their fair values as of the acquisition date. Any difference between the net assets acquired and the fair value of the consideration is allocated to non monetary long lived assets, and no gain or loss is recorded on the date of acquisition, whereas the current assets and liabilities are measured at fair values on the acquisition date.

3.2 Redeemable preference shares

Redeemable preference shares are classified as financial liability if they meet the criteria of liability as per relevant accounting standard.

Upon issuance, the Company recognizes redeemable preference shares as a financial liability in its statement of financial position at the present value of the future cash outflows associated with the redemption. Subsequent to the initial recognition, these are measured at amortised cost and the effect of unwinding is recognised in the statement of profit or loss.

4 Authorized share capital

June 30, 2023	Restated December 31, 2022		June 30, 2023	Restated December 31, 2022
(Number of shares)			(Rupees in thousand)	
2,700,010,000	2,700,010,000	Ordinary shares of Rs 10 each	27,000,100	27,000,100
1,000,000,000	1,000,000,000	Subordinated redeemable preference Class A shares of Rs 10 each	10,000,000	10,000,000
3,700,010,000	3,700,010,000		37,000,100	37,000,100

4.1 As explained in note 1.2, upon the sanction of the Scheme by LHC, authorized share capital of the Company has been increased by Rs 10,000 million. Amended copies of Memorandum and Articles of Association of the Company have been filed with the relevant authorities.

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

For the six months ended June 30, 2023

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
5 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		82,315,462	84,538,936
Post retirement benefit obligation reserve		(239,752)	(239,752)
		83,865,710	86,089,184
6 Long term finances - secured			
From banking companies / financial institutions	6.1	9,595,186	11,880,389
Less: Current portion		2,696,350	3,293,658
		6,898,836	8,586,731
6.1 Movement of long term finances			
Opening balance		11,880,389	7,064,604
Disbursements during the period / year		–	5,622,520
Classified as deferred government grant		(704,444)	–
Addition as a result of asset acquisition	1.2	–	1,963,437
Repayments during the period / year		(1,681,947)	(2,805,271)
Accreditation of loan under SBP Islamic Refinance Scheme		101,188	35,099
Closing balance		9,595,186	11,880,389
7 Subordinated redeemable preference Class A shares			
Opening balance		1,266,286	–
Liability against subordinated redeemable preference Class A shares (270,000,000 shares of Rs 10 each)		–	2,700,000
Remeasurement at present value at acquisition date		–	(1,526,053)
		1,266,286	1,173,947
Unwinding for the period / year		99,601	92,339
		1,365,887	1,266,286

7.1 As explained in note 1.2, this liability is carried at present value in accordance with the provisions of IFRS 9 using effective interest rate of 16.35% per annum.

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
8 Deferred liabilities			
Employee retirement benefits	8.1	1,605,171	1,583,718
Provision for Gas Infrastructure Development Cess (GIDC)		627,533	1,343,539
		2,232,704	2,927,257
8.1 Employee retirement benefits			
Gratuity		1,485,155	1,462,253
Accumulating compensated absences		120,016	121,465
		1,605,171	1,583,718

9 Income tax payable

This includes claim of income tax refund aggregating to Rs 2,479 million for the assessment years 1993-94, 1995-96 through 2002-2003 and tax years 2003 and 2004. Further, 90% of such claim shall be payable to the Privatization Commission of Pakistan as explained in note 12.

10 Short term finances - secured

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, pledge of raw materials and finished goods and personal guarantees of sponsoring directors.

These facilities carry mark up ranging from 16.11% to 24.48% (December 31, 2022: 8.87% to 18.77%) per annum for Running Finance and Cash Finance and 17.18% to 22.58% (December 31, 2022: 8.30% to 17.51%) per annum for Finance against Imported Merchandise.

11 Short term loans from associated companies

This represents short term loans obtained from associated companies for a period of one year commencing from March 29, 2022 to finance working capital requirements. As per the terms of the agreements, the loans will be repayable within a period of 30 days of notice of demand unless renewed by mutual consent by the parties. The markup rate on the said loan is 6 months KIBOR plus 1.8% per annum, payable quarterly. Effective rate of markup charged ranged from 18.86% to 23.88% (December 31, 2022: 17.12% to 17.51%).

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

For the six months ended June 30, 2023

12 Payable to Privatization Commission of Pakistan

Reliance Exports (Private) Limited ('REL'), under the terms and conditions stated in the 'Share Purchase Agreement' ('the Agreement'), acquired 100% shares in PFL on July 14, 2005 through the process of privatization. Under the terms of the Agreement, the purchase consideration, in addition to lump sum cash payment, included a further payment equivalent to 90% of PFL's claim of tax refund aggregating to Rs 2,814.51 million for the assessment years 1993-94, 1995-96 through 2002-2003 and tax years 2003 and 2004. The amount is payable to the Privatization Commission ('PC') in the event of and at the time of cash receipt of the refund from the concerned tax authorities.

The amount recognized in the financial statements of PFL as payable to PC is net off Rs 240.12 million which, according to the management of PFL, has already been withdrawn by the previous members as part of the dividend distribution for the year ended June 30, 2005. The management of PFL felt that the Agreement as presently worded, if executed, would result into double payment of the same amount to PC / previous members, firstly, as part of the profits for the year ended June 30, 2005 (computed without recognition of the tax expense for the years for which when the refund is issued, an amount equivalent to 90% would be the right of PC / previous members) and secondly, at the time the refund is received from the tax authorities when an amount equivalent to 90% of such refund is paid off to PC, as agreed. The management of PFL felt that such double payment is neither the intention nor warranted under the specific provisions of the Agreement. Upon dissolution of REL and its amalgamation with PFL on July 14, 2005, this liability was recognised in the books of PFL being the surviving entity upon REL's amalgamation with PFL in accordance with the Scheme of Arrangement for Amalgamation.

As mentioned in note 1.2, with effect from effective date of the Scheme, this liability has now been recognised in the books of the Company.

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
13 Current portions of long term liabilities			
Long term finances	6	2,696,350	3,293,658
Lease liabilities		125,257	127,468
Government grant		77,212	–
		2,898,819	3,421,126

14 Contingencies and commitments

14.1 Contingencies

As at June 30, 2023, 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, 2022, except for the following:

i) The Company's appeal filed before CIR(A) dated July 13, 2022 against the impugned order u/s 11 of STA has not been succeeded. Resultantly, the Company has filed an appeal before the ATIR in May 2023 against the adverse order of CIR(A) which is pending for adjudication as of date. The assessing officer had earlier raised a demand of Rs 122 Million against the Company by disallowing the admissibility of sales tax on various items claimed during July 2020 to June 2021 and invoking the provisions of section 8 of STA.

ii) The LHC, through ex parte order dated December 15, 2022, remanded the case back to CIR(A) for afresh adjudication and dismissed the favourable order of ATIR. Previously, the department filed the appeal before the ATIR against the order of CIR(A) wherein the order issued u/s 11 of STA was set aside. The assessing officer had earlier raised the impugned demand of Rs 123 million on account of sales tax audit conducted u/s 72B of STA for the periods from July 2013 to June 2014.

Further, following are the contingencies as a result of asset acquisition relating to PFL as explained in note 1.2:

i) The Company has netted an amount of Rs 240.12 million from the amount payable to PC, as part of purchase consideration, at the time and in the event the refund is received from the tax authorities. In case, the Company's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the Company is contingently liable to the aforesaid amount of Rs 240.12 million. In case, the amount becomes payable, the corresponding effect would be reflected in the computation of goodwill. Furthermore, the Company issued a bank guarantee amounting to Rs 240 million in favour of PC in this respect, which will expire on November 1, 2023.

ii) The Company has also issued following guarantees in favour of:

- Sui Northern Gas Pipelines Limited (SNGPL) against Regasified Liquefied Natural Gas ('RLNG') and natural gas sale amounting to Rs 1,242 million (December 31, 2022: Rs 1,203.70 million).

- Mari Petroleum Company Limited (MPCL) against natural gas sale amounting to Rs 2,600 million (December 31, 2022: Rs 2,645 million).

- Various banks as security against finance obtained by its subsidiary, Fatima Packaging Limited, amounting to Rs 1,642 million (December 31, 2022: Rs 875 million).

iii) As at June 30, 2004, the Company had investment of 140,000 ordinary shares of Rs 10 each valuing Rs 100,000 in National Fertilizer Marketing Limited, being the associated company on that date. On May 20, 2005, this investment was transferred to National Fertilizer Corporation of Pakistan (Private) Limited by the management of the Company. However, the new buyer, REL filed an application before PC challenging this transfer on the grounds that such transfer had been carried out against the terms and conditions of the bid documents. In case of a positive outcome to the application, this investment would be re instated.

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

For the six months ended June 30, 2023

iv) An amount of Rs 129.17 million was withdrawn by the previous members of the Company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement ('the Agreement'). Out of the aggregate amount, Rs 89.39 million represents the value of certain catalysts recovered in consequence of clean down operations of the plant prior to undertaking the process of privatization, which was accounted for as income for the year ended June 30, 2005 in the light of applicable financial reporting framework.

The management of the Company feels that notwithstanding the applicability of the financial reporting framework, on the financial statements for the year ended June 30, 2005, the amount was not distributable as part of dividend for that year in view of the clear understanding behind the execution of the Agreement as categorically confirmed, in writing, by PC prior to signing of the Agreement. Similarly, the balance amount of Rs 39.78 million is considered to be dividend distribution out of the then available reserves which was also not distributable to the previous members in terms of other covenants of the Agreement.

The Company has filed a claim for the recovery of the aforesaid aggregate amount on the grounds that in the present form, the distribution has been made out of the accumulated reserves, for the years up to June 30, 2004, which, under the specific provisions of the Agreement were not distributable to the previous members of the Company. In case of a positive outcome to the Company's claim, the excess dividend withdrawn by the previous members of the Company would be recovered.

v) Through a show cause notice, the tax department raised the issue of short payment of output sales tax on supplies of the Company's fertilizer product, Calcium Ammonium Nitrate ('CAN') for the period from April 18, 2011 to December 31, 2011 involving a principal sales tax demand of Rs 500 million. Such issue was raised on the grounds that notification SRO 15(I)/2006, providing for levy of sales tax on the basis of 'notified price' of CAN, was withdrawn through notification SRO 313(I)/ 2011 dated April 18, 2011 and hence, the Company was legally required to recover output sales tax on supplies of CAN on the basis of actual consideration received there against. The Company had already approached the Federal Board of Revenue ('FBR') on the issue for condonation in terms of section 65 of the Sales Tax Act, 1990, which was not entertained. The Company had assailed such order through institution of a writ petition before LHC on the grounds that relevant powers have been exercised in an arbitrary manner without referring the matter to competent authority as required under the law. Such petition was allowed by the Honourable LHC through its order dated June 21, 2017 and the Company was thereby directed to make a fresh application under section 65 of the Sales Tax Act, 1990. In compliance with the directions issued by the Honourable LHC in the aforementioned petition, the Commissioner Inland Revenue examined the fresh application made by the Company in accordance with the procedure laid down in Para 50 of the Sales Tax General Order No. 3 of 2004. However, the application was rejected and the same was therefore not referred to the FBR. Being aggrieved, the Company filed a writ petition before the Honourable LHC whereby operation of the impugned order shall remain suspended till final decision. Since management considers that the Company's stance is based on meritorious grounds and hence, relief would be secured, no provision on this account has been made in these financial statements.

vi) For assessment years 1993-94 and 1995-96 through 2002-2003 and for tax years 2003 through 2005, the Company, in view of the position taken by the tax authorities that the income of the Company is chargeable to tax on the basis of 'net income', had provided for in the financial statements the tax liability on net income basis which aggregated to Rs 5,223.34 million. Tax liabilities admitted in respective returns of total income in respect of these assessment/tax years, however, aggregated to Rs 1,947.67 million being the liabilities leviable under the Presumptive Tax Regime ('PTR'), considered by the management to be applicable in respect of the Company's income from sale of own manufactured fertilizer products.

The Appellate Tribunal Inland Revenue ('ATIR') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-03 upheld the Company's position as taken in respective returns of total income and consequently, management reversed the excess provisions aggregating to Rs 3,275.67 million on the strength of such judgments. ATIR's decisions in respect of certain assessment years have also been upheld by the Honourable Lahore High Court while disposing departmental appeals against respective orders of ATIR. Income tax department has statedly agitated the issue further before the Honourable Supreme Court of Pakistan, which was decided in favour of the company via order of Honourable Supreme Court of Pakistan as passed on March 13, 2023.

vii) Included in trade debts is an amount of Rs 18.88 million which has not been acknowledged as debts by its customers due to a dispute regarding the discount on the product's price. The Company's customers had collectively filed an appeal regarding the price dispute before the Honourable Civil Court, Multan, which decided the case in favour of the Company's customers. The Company preferred an appeal before the Honourable District and Sessions Court, Multan which set aside the order of the Civil Court. The Company's customers filed a revised petition before the LHC against the order of the District and Sessions Court, which is pending for adjudication. Based on the advice of the Company's legal counsel, the Company's management considers that there are meritorious grounds to defend the Company's stance and hence, no provision has been made in these financial statements on this account.

viii) During the year ended December 31, 2015, through a show cause notice, the tax department had raised the issue of non-payment of output sales tax on stock of fertilizer product transferred to various warehouses of the Company involving a principal sales tax demand of Rs 909.125 million (not including default surcharge which will be calculated at the time of deposit) along with a penalty equal to 100% of the principal sales tax demand. Such issue was raised on the grounds that the above mentioned transfers constitute 'supply' in terms of section 2(44) of the Sales Tax Act, 1990, and hence, the same have been made without payment of sales tax. The management had assailed the subject order in usual appellate course before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] and CIR(A) decided the matter in Company's favour through its order dated April 14, 2016 whereby the aforementioned demand stood annulled. Being aggrieved, the department filed an appeal against the aforementioned order of CIR(A) before the ATIR which has been rejected by the ATIR through order dated December 13, 2022 and the matter has

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

For the six months ended June 30, 2023

been decided in the Company's favour. To date, no further proceedings have been made in the aforementioned case.

ix) On July 5, 2006, Pakistan National Shipping Corporation ('PNSC') filed a recovery suit for USD 1.5 million against the Company before the Civil Court, Lahore claiming that it had suffered losses as the Company unilaterally terminated the Charter Party Agreement ('CPA') between the PNSC and the Company. As per the terms of the CPA, PNSC was to transport 300,000 metric tons of rock phosphate for the Company between February 1, 2005 to May 31, 2006 at a rate of USD 41 per metric ton from Casablanca port to Karachi port. However, PNSC claimed that the Company had unilaterally terminated the CPA after its privatization in 2005. The Company also filed a counter suit against PNSC claiming that it had violated the terms of the CPA by diverting ships carrying Company's cargo to other ports causing the Company's cargo to arrive later than expected resulting in loss to the Company. The Court referred the matter to the arbitrator who through its award dated April 22, 2010 decided the matter in PNSC's favour and confirmed its claim at USD 1.3 million (equivalent to Rs 80.23 million converted at the average exchange rate prevailing during the period starting from August 01, 2005 to May 31, 2006), and mark up at the rate of 14% to be calculated from the date of award till the time of deposit that works out to Rs 147.83 million as of June 30, 2023. The Company being aggrieved had filed an application against the award of arbitrator before the Civil Court, Lahore where the Learned Judge made the award Rule of Court. Further, the Company then filed an appeal against the decision of the Learned Civil Court, Lahore before Honourable Lahore High Court which, through an order dated May 24, 2021, has stayed the operations of the impugned judgment and decree of the Learned Civil Court, Lahore. Based on the advice of the Company's legal counsel, the management considers that Company's stance is based on meritorious grounds and relief would be secured from the Court, hence, no provision on this account has been made in these financial statements. Furthermore, the Company issued a bank guarantee amounting to Rs 70 million in favour of LHC in this respect.

x) In 2017, the Company exported fertilizer to a customer, however, the customer claimed damages in respect of Company's failure to comply with contractual specifications of the fertilizer. The customer served a request for arbitration before the London Court of International Arbitration ('LCIA'). On July 6, 2020, the LCIA declared its Final Partial Award ('Award') against the Company wherein the Company was ordered to pay an amount aggregating to USD 6,499,100 that translates to Rs 1,865.89 million as of June 30, 2023. As per the advice of the Company's legal counsel, the Award can only be enforced against the Company in the courts of Pakistan. The Company intends to challenge any such enforcement proceedings on the grounds that the Award is contrary to the public policy of Pakistan and has been rendered without proper appreciation of the evidence.

During the previous year, the customer filed an application dated February 08, 2022, under section 6 of the Recognition and Enforcement (Arbitration agreements and Foreign Arbitral Awards) Act 2011 before the LHC for recognition and enforcement of Foreign Arbitral Award in Pakistan. The Company in response to that, filed a reply before the LHC, that it would be unjust and inequitable to recognize and enforce final partial award and that the LHC should dismiss the application of the aggrieved customer in its entirety with associated costs. No further proceedings have been made in the aforementioned case. In light of the legal advice, the Company has good grounds of challenging the said Award, therefore, no provision in respect of the abovementioned amount has been made in these financial statements.

xi) The Deputy Commissioner Inland Revenue ('DCIR'), through an order dated January 20, 2011, passed under sections 122 and 182 of the Income Tax Ordinance, 2001 ('Ordinance'), had raised a demand of Rs 451.42 million, including penalty of Rs 169.20 million, for tax year 2006 by disallowing certain expenses and adding into income amount representing 'service charges'. The Company had preferred an appeal before the CIR(A) against the order of the DCIR, which was annulled by the CIR(A) through order dated June 25, 2011. Being dissatisfied, the department filed an appeal before the ATIR which annulled the aforementioned order of the CIR(A) through its order dated October 23, 2020 and restored the DCIR's order. The Company assailed the aforementioned order of the ATIR in the usual appellate course before the Honourable Lahore High Court wherein LHC through order dated May 19, 2022 remanded back the issue to ATIR for denovo proceedings. The remand back proceedings have not yet been started. Management considers that there are strong grounds to support the Company's stance and thus, no provision has been made in these financial statements for an amount of Rs 282.22 million.

xii) Based on audit proceedings conducted under section 25 of the Sales Tax Act, 1990 ('STA') for tax periods July 2016 to June 2017, the Assistant Commissioner Inland Revenue, Audit, Large Taxpayers Office, Multan raised a sales tax demand of Rs 1,176 million in the Company's case, through assessment order dated July 29, 2021 passed under section 11 of the STA, inter alia on account of alleged suppression of production and sale of fertilizers. The Company has assailed such order in appeal before CIR(A) under relevant legal provisions. CIR(A) through order dated February 24, 2022 decided the case in the favour of the Company on legal grounds for selection of audit under section 25 of STA. The department has assailed the order of CIR(A) before ATIR for which adjudication is pending as of date. The management considers that there are strong grounds to support the Company's stance and thus, no provision has been made in these financial statements in respect of such tax demand.

xiii) The Assistant Commissioner Inland Revenue (ACIR), through assessment order dated November 26, 2021, raised a sales tax demand of Rs 1,606.50 million against the Company on the grounds that the group had not charged and deposited sales tax on sale of various plants and machineries to FATIMA. The order of ACIR was also confirmed by the CIR(A) through appellate order dated April 1, 2022. The Company agitated the said order in an appeal before the Appellate Tribunal Inland Revenue, which is not disposed of to date. The management considers that supply of plant and machineries, being made as an ongoing concern to a registered person, was covered under the scope of section 49(2) of the STA and thus, such sale transaction was subject to sales tax at 'zero percent' and thus, such tax demand is not sustainable in appeal. Accordingly, no provision has been made in these financial statements for the above mentioned amount.

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

For the six months ended June 30, 2023

xiv) The ACIR raised a sales tax demand of Rs 307.77 million against the Company primarily for not charging sales tax on sale of 'aircraft', which was also confirmed by the CIR(A) through appellate order dated May 6, 2021. The Company agitated the said order in an appeal before the ATIR, which stands disposed of in the Company's favour as of December 31, 2022 by appellate order dated June 14, 2022. The management considers that sale of 'aircraft' was subject to sales tax at the rate of 'zero' percent in terms of section 4 read with Fifth Schedule to the Sales Tax Act, 1990 and thus, such tax demand is not sustainable in appeal. Accordingly, no provision has been made in these financial statements on this issue.

xv) The ACIR amended the Company's assessment for tax year 2015 under section 122(5A) of the Income Tax Ordinance, 2001 through amendment order dated June 7, 2021, raising a tax demand of Rs 239.14 million. The aforesaid order was also confirmed by the CIR(A) through appellate order dated June 8, 2021 passed under section 129 of the Ordinance. The management considers that such tax demand primarily relates to additions of 'unsecured loans' of Rs 825.99 million and provision for workers' profit participation fund of Rs 613.24 million, framed by the assessing officer under sections 39(3) and 34(5) of the Ordinance respectively without properly appreciating the relevant factual and legal position of the case. The Company has preferred an appeal before the ATIR against the order passed by the CIR(A). Accordingly, no provision has been made in these financial statements for the above mentioned amount.

xvi) The ACIR through order dated February 25, 2022 passed under section 11 of the Sales Tax Act, 1990 ('STA') raised a sales tax demand of Rs 1,800 million on the grounds that since the Company had sold its manufacturing plant and machineries, it was no longer classifiable as a manufacturer and thus, input sales tax of Rs 898.73 million claimed by it during the tax periods of January 2021 through November 2021 was disallowed. Further, the ACIR also imposed penalty of Rs 898.73 million against the Company in terms of section 33 of the STA. The Company being aggrieved, assailed such order in appeal before the CIR(A) which was decided against the Company by the CIR(A) through order dated November 15, 2022. The Company has challenged the said appellate order in appeal before the ATIR which is pending adjudication. The management considers that since subject input tax was incurred on goods and services acquired for the business purposes, the same was duly admissible to the Company. Accordingly, no provision has been made in these financial statements on this account.

xvii) The concerned assessing officer amended the Company's assessment through order dated June 26, 2020 passed for tax year 2014, as rectified through order dated January 20, 2021, and in consequence thereof, income tax refunds of Rs 257.71 million declared for such tax year stood curtailed to Rs 110 million. The Company's appeal against aforesaid amendment order was dismissed by the CIR(A) through appellate order dated June 7, 2021. Being aggrieved, the Company has further assailed the decision of CIR(A) in appeal before the ATIR, which has not yet been taken up for hearing. The issues forming basis of subject amendment primarily include disallowance of brought forward losses of Rs 2,298.54 million, addition of various capital expenditures aggregating Rs 182.80 million towards the

Company’s taxable income in terms of section 111 of the Ordinance, imposing tax of Rs 133.72 million on preference dividend and disallowance of tax credit of Rs 10.90 million claimed by Company under section 65B of the Income Tax Ordinance, 2001. In this respect, the management considers that such issues were framed/upheld by concerned officials in a disregard to the relevant legal/factual position of the case and accordingly, no provision has been made in these financial statements on this account.

xviii) The ACIR through order dated June 16, 2022 passed under section 11 of the STA, raised a sales tax demand of Rs 50.45 million on the grounds that since the Company had sold its manufacturing plant & machineries, it was no longer classifiable as a manufacturer and thus, input sales tax of Rs 25.23 million claimed by it during the tax periods of July 2020 through June 2021 was disallowed. Further, the ACIR also imposed a penalty of Rs 25.23 million against the Company in terms of section 33 of the STA. The management considers that subject input tax was duly admissible to the Company as it incurred it on goods and services acquired for the business purposes. Accordingly, the Company preferred an appeal before the CIR(A) against the adverse order.

CIR(A) through order dated January 23, 2023 (serviced on May 5, 2023) rejected the CIR(A) through order dated January 23, 2023 rejected and set aside the departmental action of levying hundred percent penalty against the company. However, the demand raised on account of disallowance of input tax have been confirmed in a slipshod manner without considering the submissions made and documentary evidence furnished by the Company during the course of appellate proceedings. The Company filed an appeal against such order on May 8, 2023 before ATIR which is pending for adjudicaton as of date.

Foregoing in view, no provision has been made in these financial statements on this account.

xix) The ACIR amended the Company’s assessment for tax year 2016 under section 122(5) of the Income Tax Ordinance, 2001 through amendment order dated June 30, 2022, raising a tax demand of Rs 2,825.81 million. The Company’s contentions in respect of majority of the issues raised during audit proceedings have been accepted; however, adverse inferences have been drawn on account of alleged difference in actual production / sales of Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP) and that estimated on the basis of stoichiometric ratio, disallowance of certain expenses, addition on accent of subsidy received from GoP and disallowance of adjustment of brought forward losses.

ACIR has made additions on account of such aforementioned issues without properly appreciating the relevant factual and legal position of the case. The Company has preferred an appeal before the CIR(A) and it feels that there are meritorious grounds that the ultimate decision would be made in the Company’s favour. Accordingly, no provision has been made in these financial statements for the above mentioned amount.

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

For the six months ended June 30, 2023

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
14.2 Commitments in respect of:			
(i) Contracts for capital expenditure		2,977,692	1,227,199
(ii) Contracts other than capital expenditure		8,761,955	3,019,144
(iii) The amount of future payments under ijarah rentals and short term / low value leases:			
- Not later than one year		1,040,977	928,973
- Later than one year but not later than five years		1,464,295	1,269,832
		2,505,272	2,198,805
15 Property, plant and equipment			
Operating fixed assets	15.1	106,605,936	106,297,034
Capital work in progress	15.2	11,790,288	10,377,917
		118,396,224	116,674,951
15.1 Movement of operating fixed assets			
Opening book value		106,297,034	99,741,174
Additions during the period / year	15.1.1	3,111,451	4,580,310
Additions as a result of asset acquisition	1.2	–	8,801,955
Elimination as a result of asset acquisition - (right of use asset)		–	(1,138,236)
		109,408,485	111,985,203
Less: Depreciation charged during the period / year		2,790,055	5,443,466
Book value of disposals during the period / year		12,494	244,703
Closing book value		106,605,936	106,297,034
15.1.1 Additions during the period / year			
Freehold land		161,894	951,989
Building on freehold land		58,231	61,019
Plant and machinery		1,809,057	2,243,770
Catalysts		542,647	57,067
Furniture and fixtures		39,182	52,328
Office equipment		14,841	40,187
Electric installations and appliances		225,068	456,087
Computers		76,811	221,924
Vehicles		183,720	343,626
Right of use assets		–	152,313
		3,111,451	4,580,310

15.1.2 Operating fixed assets include right of use assets of Rs 217.31 million (December 31, 2022: Rs 250.86 million).

	Note	June 30, 2023	Restated December 31, 2022
		(Rupees in thousand)	
15.2 Capital work in progress			
Civil works		503,376	430,395
Plant and machinery		5,776,861	3,262,113
Capital stores		3,561,363	4,348,937
Advances:			
- Freehold land		416,702	379,986
- Plant and machinery		1,531,986	1,956,486
		1,948,688	2,336,472
		11,790,288	10,377,917
15.2.1 Movement of capital work in progress			
Opening balance		10,419,724	5,694,759
Addition as a result of asset acquisition	1.2	–	52,533
Additions during the period / year		2,266,603	7,821,696
		12,686,327	13,568,988
Less: Capitalization during the period / year		860,570	3,149,264
		11,825,757	10,419,724
Less: Provision for slow moving capital stores		35,469	41,807
Closing balance		11,790,288	10,377,917
16 Intangible assets			
Opening book value		3,786,096	3,608,877
Addition as a result of asset acquisition	1.2	–	82,915
Additions during the period / year		48,823	148,109
		3,834,919	3,839,901
Less: Amortization charged during the period / year		37,099	53,805
Impairment charged during the period / year		885,000	–
Closing book value		2,912,820	3,786,096
17 Investment property			
Opening book value		165,419	775,339
Less: Disposals during the period / year		–	609,014
		165,419	166,325
Less: Depreciation charged during the period / year		453	906
Closing book value		164,966	165,419

18 Long term investments

This includes investment in 16,863,273 ordinary shares of Fatima Packaging Limited of Rs 685.28 million pursuant to sanctioned Scheme as referred in note 1.2.

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

For the six months ended June 30, 2023

Further, this includes an additional investment of Rs 1,100 million in 110,000,000 fully paid ordinary shares of Rs 10 each of its wholly owned subsidiary, Fatima Cement Limited, as approved by the Board of Directors of the Company in their meeting held on June 02, 2023.

19 Long term advances and deposits

This includes Nil (December 31, 2022: Rs 946.14 million) as advance to Fatima Cement Limited, a wholly owned subsidiary of the Company.

	June 30, 2023	Restated December 31, 2022
	(Rupees in thousand)	
20 Stores and spares		
Stores	972,559	1,041,522
Spares	9,775,474	10,700,433
Catalyst and chemicals	4,072,515	4,514,849
	14,820,548	16,256,804
Less: Provision for slow moving stores and spares	420,366	395,186
	14,400,182	15,861,618
21 Stock in trade		
Raw materials {including in transit Rs 1,134.36 million (December 31, 2022: Rs 3,657.52 million)}	4,808,804	6,059,033
Packing materials	791,368	83,756
Mid products		
Ammonia	111,005	161,252
Nitric acid	33,811	19,941
Others	3,775	2,318
	148,591	183,511
Finished goods		
Own manufactured		
Urea	2,101,953	59,323
NP	23,961,016	28,885,503
CAN	312,318	32,477
Others	4,073	4,641
Certified emission reductions	–	42,810
	26,379,360	29,024,754
Purchased for resale	4,890,126	9,486,133
	37,018,249	44,837,187

22 Advances, deposits, prepayments and other receivables

This includes Rs 10.58 million (December 31, 2022: Rs 10.45 million) receivable from Fatimafert Limited, a wholly owned subsidiary company, in the normal course of business.

	Note	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
		(Rupees in thousand)			
23 Sales					
Revenue from contracts with customers					
Local sales	23.1	46,776,713	32,922,928	83,977,338	62,036,944
Certified emission reductions		–	246,642	–	246,642
		46,776,713	33,169,570	83,977,338	62,283,586
23.1 Local sales					
Own manufactured		46,025,769	22,137,888	79,567,385	42,465,842
Toll manufacturing		–	11,538,153	–	20,185,447
Purchased for resale		1,372,890	698,930	5,539,121	1,326,455
Mid products		555,692	371,299	1,036,696	687,884
		47,954,351	34,746,270	86,143,202	64,665,628
Less: Sales tax		89,581	748,107	167,981	1,387,878
Discounts		1,088,057	1,075,235	1,997,883	1,240,806
		46,776,713	32,922,928	83,977,338	62,036,944
24 Cost of sales					
Raw material consumed		18,429,259	15,170,856	29,754,272	29,273,213
Packing material consumed		1,298,970	787,301	2,167,052	1,516,794
Salaries, wages and other benefits		2,360,889	2,340,229	4,721,679	3,891,826
Fuel and power		3,124,870	2,145,775	5,372,119	4,581,971
Chemicals and catalyst consumed		756,281	758,262	1,618,896	1,474,700
Stores and spares consumed		783,187	623,867	1,609,446	1,808,865
Technical assistance		93,878	98,863	137,051	197,326
Repair and maintenance		222,766	2,147,271	3,074,524	2,554,958
Insurance		516,684	274,178	1,036,565	524,125
Traveling and conveyance		82,481	58,563	154,962	107,363
Rent, rates and taxes		266,012	153,476	409,762	277,884
Vehicle running and maintenance		85,462	51,834	169,371	103,843
Depreciation		1,315,014	1,254,639	2,626,059	2,503,586
Others		32,092	73,597	42,715	155,894
Subsidy on RLNG released by GOP to SNGPL	24.1	–	(4,576,781)	(4,750,593)	(7,892,654)
Manufacturing cost		29,367,845	21,361,930	48,143,880	41,079,694
Opening stock of mid products		187,696	115,043	183,511	122,564
Closing stock of mid products		(148,591)	(185,202)	(148,591)	(185,202)
Cost of goods manufactured		29,406,950	21,291,771	48,178,800	41,017,056
Opening stock of finished goods		28,181,679	8,810,296	29,024,754	5,514,312
Closing stock of finished goods		(26,379,360)	(13,484,256)	(26,379,360)	(13,484,256)
Cost of sales - own manufactured		31,209,269	16,617,811	50,824,194	33,047,112
Cost of sales - purchased for resale		1,285,291	499,266	4,865,512	933,422
		32,494,560	17,117,077	55,689,706	33,980,534

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

For the six months ended June 30, 2023

24.1 This represents subsidy related to prior year, released by Government of Pakistan (GoP) to SNGPL, as the difference between full RLNG price billed to the Company (Sheikhupura Plant) by SNGPL and the gas price capped by GoP for fertilizer plants operating on RLNG.

25 Administrative expenses

This includes donation amounting to Rs 227.51 million to Mian Mukhtar A. Sheikh Trust, a related party.

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in thousand)			
26 Finance cost				
Markup on long term finances	429,646	223,706	837,598	393,884
Markup on short term finances	808,053	146,088	1,263,374	274,823
Markup on short term loans from associated companies	97,332	–	172,721	–
Interest on lease liabilities	5,976	37,771	12,243	76,592
Bank charges and others	172,662	350,222	374,858	429,269
	1,513,669	757,787	2,660,794	1,174,568
27 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	1,249,039	155,929	5,126,526	5,845,937
	(Number of shares)			
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
	(Rupees)			
Basic and diluted earnings per share (Rupees)	0.59	0.07	2.44	2.78

28 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 other receivables, trade and other payables. Significant transactions with related parties are as follows:

		For the six months ended	
		June 30, 2023	June 30, 2022
		(Rupees in thousand)	
Relationship with the Company	**Nature of transaction**		
Subsidiary companies	Acquisition of shares	1,100,000	300,030
	Payments made on behalf	18,000	–
	Markup income	75,537	–
	Miscellaneous expenses	123,943	–
	Purchase of packing material	2,455,614	–
Associated companies	Purchase of packing material	–	1,537,521
	Purchase of raw material	–	1,438,446
	Purchase of stores and spares	–	653,451
	Sale of mid products	–	73,240
	Lease rental and license fee	271,200	79,200
	Payment against sales collection	–	25,736,267
	Toll manufacturing revenue	–	20,185,447
	Fee for services	43,753	2,217,686
	Miscellaneous expenses	1,394	65,840
	Markup income	492,148	668,320
	Markup expense	172,721	–
Directors and key management personnel	Remuneration including benefits and perquisites	616,851	384,430
Retirement benefit plans	Retirement benefits	313,304	189,420

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

For the six months ended June 30, 2023

	Note	For the six months ended June 30, 2023	June 30, 2022
		(Rupees in thousand)	
29 Cash generated from operations			
Profit before tax		15,415,843	18,834,570
Adjustments for:			
Depreciation on property, plant and equipment	15.1	2,790,055	2,636,334
Amortization of intangible assets	16	37,099	20,162
Impairment of brand	16	885,000	1,180,000
Depreciation on investment property	17	453	452
Finance cost	26	2,660,794	1,174,568
Unwinding of provision for GIDC		127,876	149,230
Unwinding of liability of subordinated redeemable preference shares	7	99,601	–
Loss allowance on subsidy receivable from GoP		132,056	54,862
Provision for staff retirement benefits		205,528	117,396
Provision for slow moving stores and spares		18,843	50,578
(Gain) / loss on remeasurement of investments - FVTPL		(131,426)	424,008
Profit on loan to an associated company		(567,685)	(668,320)
Dividend income		(266,608)	(93,365)
Share of profit from associates		(6,024)	(25,188)
Profit on saving accounts		(188,280)	(102,807)
Loss / (gain) on disposal of property, plant and equipment		5,790	(2,935)
		5,803,072	4,914,975
Operating cash flows before working capital changes		21,218,915	23,749,545
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		1,442,593	(2,689,855)
Stock in trade		7,818,938	(2,610,802)
Trade debts		(2,362,581)	(2,036,765)
Advances, deposits, prepayments and other receivables		(169,451)	(3,689,928)
(Decrease) / increase in creditors, accrued and other liabilities		(8,420,378)	4,926,729
		(1,690,879)	(6,100,621)
		19,528,036	17,648,924

30 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 (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	4,009,965	–	–	4,009,965
Investment - FVTOCI	–	600,000	–	600,000
Total assets at fair value	4,009,965	600,000	–	4,609,965

	December 31, 2022 (Restated)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	4,133,750	–	–	4,133,750
Investment - FVTOCI	–	600,000	–	600,000
Total assets at fair value	4,133,750	600,000	–	4,733,750

31 Non adjusting event after reporting date

The Board of Directors of the Company in its meeting held on August 28, 2023 has approved an interim cash dividend of Rs 1.75 per share for the six months ended June 30, 2023, aggregating to Rs 3,675 million. These condensed interim financial statements do not include the effect of the said interim dividend.

32 General

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

32.2 These financial statements have been authorized for issue on August 28, 2023 by the Board of Directors of the Company.

Chief Executive Officer | **Director** | **Chief Financial Officer**

NOTES

www.fatima-group.com

Fatima
Fertilizer Company Limited
JV of Fatima and Arif Habib Group

E-110, Khayaban-e-Jinnah
Lahore Cantt., Pakistan

PABX : +92 42 111 328 462

Fax : +92 42 3662 1389