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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. Malika Nait Oukhedou

Independent Director

Mr. Tariq Jamali

Independent Director

Chief Operating Officer & Chief Financial Officer

Mr. Asad Murad

General Counsel & Company Secretary

Mr. Omair Ahmad 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

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. Malika Nait Oukhedou

Member

Mr. Muhammad Kashif Habib

Member

HR and Remuneration Committee Members

Ms. Malika Nait Oukhedou

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@cdcsrcsl.com

Website: www.cdcsrcsl.com

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al-Habib 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

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 Sheikhpura Road, Chichoki Mallian, Pakistan

Tel: 042 – 37319200 – 99

Fax: 042 – 33719295

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the brief overview of the Company's performance for the half year ended June 30, 2022. The accompanying financial statements were subject to a limited scope review by the statutory auditors of the Company.

Operational and Financial Performance

Despite numerous challenges, including but not limited to highly under pressure Phosphatic Fertilizers market, Company has been able to deliver volumetric sales mostly in line with the expectations and similar to corresponding period last year, whereas incremental revenues have been realized due to change in prices which were primarily linked to higher input costs. Total production volumes increased by 11% mainly due to production volumes from Sheikhpura plant which was partially non-operational in same period last year due to unavailability of gas.

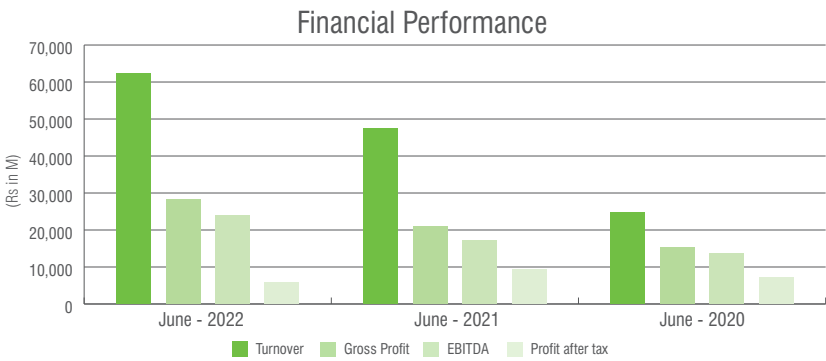
Products	Volume ('000' M. Tons)			
	Production*/ Purchase		Sales*	
	Jan to June 2022	Jan to June 2021	Jan to June 2022	Jan to June 2021
NP	434	428	350	386
CAN	427	390	403	480
Urea	523	429	450	333
Trading stock incl. DAP	7	–	8	29
Total	1,391	1,247	1,211	1,228

*Includes production and sales under toll manufacturing

The Company posted total Revenue of Rs 62,284 million representing 32% growth compared to same period last year primarily on account of increased prices and volumetric growth in Urea. Cost of sales during current period increased mainly due to additional production volumes from Sheikhpura plant, increase in gas price due to end of concessionary period for its Sadiqabad plant and significant higher input costs of other raw materials particularly for Phosphatic Fertilizer due to increase in prices in international market and significant devaluation of Pak Rupee. Further, the surge in costs is also attributable to inflationary pressures and additional depreciation costs due to change in estimates as compared to last year.

Due to above factors, gross profit of the Company for the period under review resulted in Rs 28,303 million as compared to Rs 20,927 million last year. Distribution and administrative expenses have increased mainly due to inflationary impact on all elements of such expenses, whereas increase in other operating expenses primarily represents impairment loss relating to intangible asset and loss on remeasurement of financial assets. Despite above referred cost

pressures, the Company posted profit before tax of Rs 18,835 million in first half of year 2022 compared to Rs 14,453 million in same period last year. Further, imposition of super tax on profits for the current year as well as on last year has resulted in effective tax rate of 69%, thus restricting bottom line growth of the second quarter of the year, consequently net profit for the first half of the year was registered at Rs 5,846 million, 37% lower than the same period last year. Hence, Company has recorded an EPS of Rs 2.78 per share as compared to EPS of Rs 4.44 per share in the same period last year.



All plant sites continued to build upon their reputation to be the safest working sites for its stakeholders and have recorded 97.5 Safe Million Man-Hours and are maintaining zero Total Recordable Incidence Rate. In addition, the Company has achieved savings of Rs ~400 million through local fabrication of spares and have ensured reliable and efficient operations. The Company has also secured multiple awards and recognitions from local and international organizations on Health, Safety & Environment and have contributed to various CSR activities.

At the Annual General Meeting held on April 29, 2022, shareholders had approved the investment in Fatima Cement Limited (FCL), an associated company, by way of acquisition of 30,003,000 ordinary shares of Rs 10 each of FCL from all the existing shareholders of FCL at par value, to make FCL a 100% owned subsidiary of Fatima Fertilizer Company Limited. Consolidated financial statements for the period under review have been prepared accordingly.

Future Outlook

The demand and prices of Nitrogenous Fertilizers are expected to remain strong for the remainder of the year. Whereas, very high prices of Phosphatic Fertilizers are expected to reduce consumption of phosphates keeping its market under pressure. Considering severe impacts of lower use of Phosphatic Fertilizers on overall yield of crops, Government should immediately announce some subsidy scheme for the farmers encouraging them to improve application of Phosphatic Fertilizers. This will help in improving crop yields thus saving additional fiscal deficits and avoiding outflow of precious foreign exchange on import of essential commodities.

Owing to strong overall business dynamics, second half of year 2022 looks very promising for the Company due to availability of healthy volumes with the Company and robust strategies put in place to ensure sustainable growth. With all the three plants in operations, your Company is committed to ensure continuous supply of its products to the farmer community through a cumulative annual name plate capacity of 2.57 million MT per year. This will also ensure that farmers continue to benefit from lower domestic prices and will also result in substitution of high-priced imported fertilizers hence savings of valuable foreign exchange for the country. Local fertilizer industry is passing on huge benefit to the farmers and Government by providing low priced Urea to farmers at affordable prices. Imported Urea will cost at Rs ~7,700 per bag while in Pakistan local fertilizer industry is providing Urea to farmers at Rs ~2,200 per bag; thus, providing a benefit of Rs ~5,500 per bag to the farmers. Out of this benefit, Rs ~850 per bag is being contributed by Government by providing Feed Gas to fertilizer industry at Rs 302 per mmbtu while industry is contributing over 5x higher benefit of Rs ~4,650 per bag to the farmers. We are confident that necessary fiscal support in the shape of farmer friendly Government policies will continue to support the farmers and agriculture sector to ensure food security in Pakistan.

The Company, with its strong asset base, financial and liquidity position is investing in new ventures and will continue to explore further opportunities both inside and outside the fertilizer sector. The Board is focused towards offering value addition for the stakeholders and will continue to provide leadership and strategic guidance to the Company.

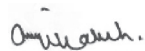
Acknowledgements

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

For and on behalf of the Board



Fawad Ahmed Mukhtar
Chief Executive Officer



Arif Habib
Chairman

Lahore
August 25, 2022

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, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six month period then ended (here in after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these 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, 2022 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended June 30, 2022.

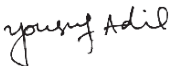
Scope of Review

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

Conclusion

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

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



Chartered Accountants

Lahore

Date: August 27, 2022

UDIN: RR202210180OBKW4ipcS

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	Note	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,700,010,000 (December 31, 2021: 2,700,010,000) shares of Rs 10 each		27,000,100	27,000,100
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2021: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	77,685,649	79,263,440
		98,685,649	100,263,440
NON CURRENT LIABILITIES			
Long term finances	5	9,532,093	5,172,276
Lease liabilities		1,106,794	1,437,025
Deferred liabilities	6	25,713,492	23,522,297
Long term deposits		299,971	175,104
		36,652,350	30,306,702
CURRENT LIABILITIES			
Trade and other payables		44,153,988	38,469,330
Accrued finance cost		447,140	307,184
Income tax payable		12,282,040	4,968,065
Short term finances - secured	7	2,211,958	6,465,772
Unpaid dividend		-	1,738,864
Unclaimed dividend		51,985	44,951
Current portion of:			
- Long term finances	5	1,730,449	1,892,328
- Lease liabilities		610,279	375,273
- Deferred government grant		30,930	61,440
		61,518,769	54,323,207
CONTINGENCIES & COMMITMENTS			
	8		
		196,856,768	184,893,349

The annexed explanatory notes from 1 to 25 form an integral part of these condensed interim financial statements.

		Un audited June 30, 2022	Audited December 31, 2021
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	106,784,731	105,422,464
Intangible assets	10	2,438,247	3,608,877
Investment property	11	774,887	775,339
		109,997,865	109,806,680
Long term investments		1,863,005	795,511
Long term loan to an associated company		2,999,000	1,999,333
Long term advances and deposits		1,147,233	518,424
		6,009,238	3,313,268
		116,007,103	113,119,948
CURRENT ASSETS			
Stores and spares	12	14,205,110	11,565,833
Stock in trade	13	20,942,583	18,331,781
Trade debts	14	11,691,073	9,654,308
Short term loans		6,999,723	6,999,723
Advances, deposits, prepayments and other receivables	15	18,967,256	15,635,845
Short term investments		3,945,392	2,242,710
Cash and bank balances		4,098,528	7,343,201
		80,849,665	71,773,401
		196,856,768	184,893,349

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the six months ended June 30, 2022

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(Rupees in thousand)					
Sales	16	33,169,570	25,704,410	62,283,586	47,307,977
Cost of sales	17	(17,117,077)	(14,042,016)	(33,980,534)	(26,381,029)
 Gross profit		16,052,493	11,662,394	28,303,052	20,926,948
Distribution cost		(1,897,457)	(1,059,586)	(3,326,745)	(2,614,300)
Administrative expenses		(1,352,905)	(962,963)	(2,484,344)	(1,819,707)
		12,802,131	9,639,845	22,491,963	16,492,941
Finance cost	18	(757,787)	(668,061)	(1,174,568)	(1,210,609)
Other operating expenses		(1,915,052)	(699,554)	(3,178,443)	(1,198,178)
		10,129,292	8,272,230	18,138,952	14,084,154
Other income		534,217	402,304	874,522	500,798
Share of profit from associates		17,407	11,022	25,188	17,757
Other gains / (losses):					
- Unwinding of provision for GIDC		(71,639)	(194,962)	(149,230)	(194,962)
- (Loss allowance) / reversal of loss allowance on subsidy receivable from GoP		(27,431)	45,030	(54,862)	45,030
		(99,070)	(149,932)	(204,092)	(149,932)
 Profit before tax		10,581,846	8,535,624	18,834,570	14,452,777
Taxation	19	(10,425,917)	(2,993,722)	(12,988,633)	(5,137,985)
 Profit for the period		155,929	5,541,902	5,845,937	9,314,792
 Earnings per share - basic and diluted (Rupees)	20	0.07	2.64	2.78	4.44

The annexed explanatory notes from 1 to 25 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, 2022

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
Profit for the period	155,929	5,541,902	5,845,937	9,314,792
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	82,201	5,541,902	5,772,209	9,314,792

The annexed explanatory notes from 1 to 25 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, 2022

	Ordinary share capital	Capital reserve	Revenue reserve	Post retirement benefit obligation reserve	Total
	Share premium	Unappropriated profit			
(Rupees in thousand)					
Balance at December 31, 2020 (Audited)	21,000,000	1,790,000	64,374,342	(61,686)	87,102,656
Profit for the period	-	-	9,314,792	-	9,314,792
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	9,314,792	-	9,314,792
Transaction with owners:					
- Final dividend for the year ended December 31, 2020 @ Rs 2.50 per share	-	-	(5,250,000)	-	(5,250,000)
Balance at June 30, 2021 (Un audited)	21,000,000	1,790,000	68,439,134	(61,686)	91,167,448
Balance 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 at June 30, 2022 (Un audited)	21,000,000	1,790,000	76,082,894	(187,245)	98,685,649

The annexed explanatory notes from 1 to 25 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, 2022

	Note	Six months ended	
		June 30, 2022	June 30, 2021
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	22	17,648,924	11,227,525
Net increase in long term deposits		124,867	7,579
Finance cost paid		(964,529)	(1,059,568)
Taxes paid		(2,998,790)	(1,824,460)
Employee retirement benefits paid		(59,373)	(142,477)
Net cash generated from operating activities		13,751,099	8,208,599
Cash flows from investing activities			
Additions in property, plant and equipment		(4,008,308)	(1,886,766)
Additions in intangible assets		(29,532)	(5,880)
Proceeds from disposal of property, plant and equipment		12,642	1,482
Short term loans made		-	(3,758,000)
Long term investments made		(1,050,031)	(600,200)
Short term investments made		(2,240,158)	(534,257)
Proceeds from short term investments		113,468	534,232
Profit received on loans and saving accounts		75,115	1,464,651
Dividend income received		93,365	133,313
Net (increase) / decrease in long term advances and deposits		(628,809)	3,496
Net cash used in investing activities		(7,662,248)	(4,647,929)
Cash flows from financing activities			
Proceeds from long term finances		5,235,656	222,659
Repayment of long term finances		(1,061,719)	(2,999,675)
Repayment of lease liabilities		(171,817)	(544,481)
Dividend paid		(9,081,830)	(2,154,129)
(Decrease) / increase in short term finances - net		(4,554,236)	674,251
Net cash used in financing activities		(9,633,946)	(4,801,375)
Net decrease in cash and cash equivalents		(3,545,095)	(1,240,705)
Cash and cash equivalents at the beginning of the period		5,642,736	(3,538,222)
Cash and cash equivalents at the end of the period		2,097,641	(4,778,927)
Cash and cash equivalents comprises of following:			
Cash and bank balances		4,098,528	370,247
Running finance		(2,000,887)	(5,149,174)
Cash and cash equivalents at the end of the period		2,097,641	(4,778,927)

The annexed explanatory notes from 1 to 25 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, 2022

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 - Sheikhpura, Pakistan.

1.2 These 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 investments in associates are accounted for under equity method. Consolidated 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, 2021. Comparative condensed interim statement of financial position is extracted from annual audited financial statements for the year ended December 31, 2021 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 an audited condensed interim financial statements for the six months ended June 30, 2021.

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, 2021.

	Note	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)			
4 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		76,082,894	77,593,523
Post retirement benefit obligation reserve		(187,245)	(120,083)
		77,685,649	79,263,440
5 Long term finances			
Secured loans from banking companies / financial institutions	5.1	11,262,542	7,064,604
Less: Current portion		1,730,449	1,892,328
		9,532,093	5,172,276
5.1 Movement of long term finances			
Opening balance		7,064,604	8,917,289
Disbursements during the period / year		5,235,656	3,920,362
Repayments during the period / year		(1,061,719)	(5,857,386)
Accreditation of loan under SBP Islamic Refinance Scheme		24,001	87,651
Exchange gain on translation of foreign currency loan		–	(3,312)
Closing balance		11,262,542	7,064,604
6 Deferred liabilities			
Deferred taxation		22,915,681	20,274,052
Employee retirement benefits	6.1	1,113,684	955,419
Provision for Gas Infrastructure Development Cess (GIDC)		1,684,127	2,292,826
		25,713,492	23,522,297
6.1 Employee retirement benefits			
Gratuity		1,048,023	877,217
Accumulating compensated absences		65,661	78,202
		1,113,684	955,419

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

For the six months ended June 30, 2022

7 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.

The 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 8.30% to 15.77% (December 31, 2021: 7.55% to 11.09%) per annum for Running Finance and Cash Finance and 8.87% to 14.16% (December 31, 2021: 7.61% to 10.47%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

As at June 30, 2022, 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, 2021, except for the following:

- (i) The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), [CIR(A)] against the order u/s 11 of Sales Tax Act, 1990 (STA). The assessing officer had raised demand of Rs 4,272 million against the Company by disallowing the admissibility of sales tax on various items claimed during January 2021 to November 2021 invoking the provisions of section 8 of STA.
- (ii) The Company has filed an appeal before the CIR (A) against the order u/s 11 of the STA. The assessing officer 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 invoking the provisions of section 8 of STA.
- (iii) The Company's appeal filed with CIR (A) against the order amounting to Rs 7,745 million has succeed and the order has been set aside. The demand was raised against the Company by selecting it for the sales tax audit u/s 25 of STA for the tax periods from July 2016 to June 2017.

Based on the advice of the Company's legal counsels and tax advisor, management considers that reasonable grounds exist that all the above appeals will succeed. Consequently, no provision has been recognized for the above mentioned amounts.

- (iv) The Company has issued Corporate Guarantee in favor of Pakarab Fertilizers Limited (an associated undertaking) amounting to Rs 5,982 million (December 31, 2021: Rs 5,271 million).

In light of the legal advice, the management is of the opinion that ultimate beneficiary of corporate guarantees amounting to Rs 2,718 million is Fatima Fertilizer Company Limited and therefore does not require any shareholder approval, however the Company has already obtained approval of the shareholders for the remaining amount.

	Note	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)			
8.2 Commitments in respect of:			
(i)	Contracts for capital expenditure	2,478,435	3,880,314
(ii)	Contracts for other than capital expenditure	1,532,634	3,605,830
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:		
	Not later than one year	608,782	231,860
	Later than one year but not later than five years	836,747	144,174
		1,445,529	376,034
9 Property, plant and equipment			
	Operating fixed assets	9.1	99,059,999
	Capital work in progress	9.2	7,724,732
			106,784,731
			105,422,464
9.1 Movement of operating fixed assets			
	Opening book value		99,741,174
	Additions during the period / year	9.1.1	1,964,866
			101,706,040
			105,545,823
	Less: Depreciation charged during the period / year		2,636,334
	Book value of disposals during the period / year		9,707
			558,929
	Closing book value		99,059,999
			99,741,174
9.1.1 Additions during the period / year			
	Freehold land		767,009
	Building on freehold land		–
	Plant and machinery		573,480
	Catalysts		–
	Furniture and fixtures		22,090
	Office equipment		19,054
	Electric installations and appliances		259,644
	Computers		125,370
	Vehicles		198,219
			1,964,866
			4,821,258

9.1.2 Operating fixed assets include right of use assets amounting to Rs 1,574.47 million (December 31, 2021: Rs 1,699.26 million) as at reporting date.

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

For the six months ended June 30, 2022

	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)		
9.2 Capital work in progress		
Civil works	347,351	175,861
Plant and machinery	2,196,980	1,882,284
Capital stores	3,380,845	1,799,228
Advances:		
- Freehold land	440,508	756,240
- Plant and machinery	1,359,048	1,067,677
	1,799,556	1,823,917
	7,724,732	5,681,290
9.2.1 Movement of capital work in progress		
Opening balance	5,694,759	4,213,168
Additions during the period / year	3,209,484	4,751,907
	8,904,243	8,965,075
Less: Capitalization during the period / year	1,158,948	3,270,316
	7,745,295	5,694,759
Less: Provision for slow moving capital stores	20,563	13,469
Closing balance	7,724,732	5,681,290
10 Intangible assets		
Opening book value	3,608,877	5,991,019
Additions during the period / year	29,532	19,741
	3,638,409	6,010,760
Less: Amortization charged during the period / year	20,162	41,883
Impairment charged during the period / year	1,180,000	2,360,000
Closing book value	2,438,247	3,608,877
11 Investment property		
Opening book value	775,339	756,189
Additions during the period / year	-	20,056
	775,339	776,245
Less: Depreciation charged during the period / year	452	906
Closing book value	774,887	775,339
12 Stores and spares		
Stores	732,732	495,097
Spares	9,291,183	7,498,447
Catalyst and chemicals	4,325,218	3,672,827
	14,349,133	11,666,371
Less: Provision for slow moving stores and spares	144,023	100,538
	14,205,110	11,565,833

Un audited
June 30, 2022

Audited
December 31, 2021

(Rupees in thousand)

13 Stock in trade		Un audited June 30, 2022	Audited December 31, 2021
Raw materials {including in transit Rs 856.78 million (December 31, 2021: Rs 3,871.03 million)}		2,317,867	10,558,828
Packing materials		88,487	28,981
Mid products			
Ammonia		137,877	95,189
Nitric acid		41,504	22,425
Others		5,821	4,950
		185,202	122,564
Finished goods			
Own manufactured			
Urea		2,448,235	247,278
NP		10,643,183	5,185,720
CAN		370,429	29,333
Certified emission reductions		22,409	51,981
		13,484,256	5,514,312
Purchased for resale		4,866,771	2,107,096
		20,942,583	18,331,781

14 Trade debts

This includes Rs 5,671.76 million (December 31, 2021: Rs 4,008.44 million) pertaining to Pakarab Fertilizers Limited, an associated company, on account of toll manufacturing in the normal course of business.

- 15** This includes an advance of Rs 2,225.80 million which the Company has contributed in technology sector through funding rounds, carrying preferential rights over other investors. Considering the recent global economic meltdown and prevailing economic conditions the said contribution carries potential risk of remeasurement. The management is assessing multiple avenues to mitigate such risk.

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(Rupees in thousand)					
16 Sales					
Revenue from contracts with customers					
Local sales	16.1	32,922,928	25,704,410	62,036,944	47,307,977
Certified emission reductions		246,642	-	246,642	-
		33,169,570	25,704,410	62,283,586	47,307,977

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

For the six months ended June 30, 2022

Note	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
16.1 Local sales				
Own manufactured	22,137,888	19,736,547	42,465,842	40,689,600
Toll manufacturing	11,538,153	6,405,228	20,185,447	6,405,228
Mid products	371,299	289,842	687,884	595,641
Purchased for resale	698,930	203,721	1,326,455	1,371,117
	34,746,270	26,635,338	64,665,628	49,061,586
Less: Sales tax	748,107	563,941	1,387,878	1,041,481
Discounts	1,075,235	366,987	1,240,806	712,128
	32,922,928	25,704,410	62,036,944	47,307,977
17 Cost of sales				
Raw material consumed	15,170,856	7,508,425	29,273,213	13,765,110
Packing material consumed	787,301	704,026	1,516,794	1,231,648
Salaries, wages and other benefits	2,340,229	1,519,990	3,891,826	2,855,046
Fuel and power	2,145,775	1,802,693	4,581,971	3,355,629
Chemicals and catalyst consumed	758,262	577,396	1,474,700	1,013,401
Stores and spares consumed	623,867	614,716	1,808,865	1,263,280
Technical assistance	98,863	206,900	197,326	221,225
Repair and maintenance	2,147,271	1,518,590	2,554,958	1,730,455
Insurance	274,178	213,020	524,125	413,403
Travelling and conveyance	58,563	32,982	107,363	65,891
Rent, rates and taxes	153,476	65,413	277,884	132,876
Vehicle running and maintenance	51,834	28,502	103,843	58,436
Depreciation	1,254,639	729,883	2,503,586	1,481,236
Others	73,597	2,763	155,894	44,335
Subsidy on RLNG released by GoP to SNGPL	17.1 (4,576,781)	(1,532,564)	(7,892,654)	(1,532,564)
Manufacturing cost	21,361,930	13,992,735	41,079,694	26,099,407
Opening stock of mid products	115,043	261,692	122,564	311,053
Closing stock of mid products	(185,202)	(65,411)	(185,202)	(65,411)
Cost of goods manufactured	21,291,771	14,189,016	41,017,056	26,345,049
Opening stock of finished goods	8,810,296	9,150,053	5,514,312	8,373,200
Closing stock of finished goods	(13,484,256)	(9,508,714)	(13,484,256)	(9,508,714)
Cost of sales - own manufactured	16,617,811	13,830,355	33,047,112	25,209,535
Cost of sales - purchased for resale	499,266	211,661	933,422	1,171,494
	17,117,077	14,042,016	33,980,534	26,381,029

17.1 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.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
18 Finance cost				
Markup on long term finances	223,706	183,547	393,884	392,251
Markup on short term finances	146,088	290,924	274,823	473,586
Interest on lease liabilities	37,771	39,806	76,592	82,249
Bank charges and others	350,222	153,784	429,269	262,523
	757,787	668,061	1,174,568	1,210,609

19 This includes super tax amounting to Rs 3,494.88 million relating to year 2021.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
20 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	155,929	5,541,902	5,845,937	9,314,792
	(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	0.07	2.64	2.78	4.44

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

For the six months ended June 30, 2022

21 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties have been disclosed in the relevant notes to the condensed interim financial statements. Significant transactions with related parties are as follows:

		Six months ended	
		June 30, 2022	June 30, 2021
		(Rupees in thousand)	
Relationship with the Company	Nature of transaction		
Subsidiary company	Acquisition of shares	300,030	–
Associated companies	Purchase of packing material	1,537,521	1,292,594
	Purchase of raw material	1,438,446	2,232,550
	Purchase of catalysts	–	70,648
	Purchase of stores and spares	653,451	309,302
	Sale of mid products	73,240	51,621
	Lease rental and license fee	79,200	72,000
	Payment against sales collection	25,736,267	4,931,253
	Toll manufacturing revenue	20,185,447	6,405,228
	Fee for services	2,217,686	1,650,805
	Miscellaneous expenses	65,840	41,496
	Short term loan given	–	3,758,000
	Markup income	668,320	335,233
Markup expense	–	99,452	
Directors and key management personnel	Remuneration including benefits and perquisites	384,430	204,874
Retirement benefit plans	Retirement benefit expense	189,420	99,394

	Six months ended	
	June 30, 2022	June 30, 2021
	(Rupees in thousand)	
22 Cash generated from operations		
Profit before tax	18,834,570	14,452,777
Adjustments for:		
Depreciation on property, plant and equipment	2,636,334	1,598,359
Depreciation on investment property	452	453
Amortization of intangible assets	20,162	20,452
Finance cost	1,174,568	1,210,609
Impairment of brand	1,180,000	–
Provision for staff retirement benefits	117,396	38,000
Provision for slow moving stores and spares	50,578	23,116
Exchange gain on translation of foreign currency loan	–	(3,312)
Profit on short term loans to associated companies	(668,320)	(335,494)
Loss on remeasurement of investment - FVTPL	424,008	31,799
Loss allowance / (reversal of loss allowance) on subsidy receivable from GoP	54,862	(45,030)
Unwinding of provision for GIDC	149,230	194,962
Dividend income	(93,365)	(133,313)
Share of profit from associated companies	(25,188)	(17,757)
Profit on saving accounts	(102,807)	(9,457)
Gain on disposal of property, plant and equipment	(2,935)	(1,334)
	4,914,975	2,572,053
Operating cash flows before working capital changes	23,749,545	17,024,830
Effect on cash flow due to working capital changes:		
Increase in current assets:		
Stores and spares	(2,689,855)	(2,144,145)
Stock in trade	(2,610,802)	(1,916,860)
Trade debts	(2,036,765)	(5,292,941)
Advances, deposits, prepayments and other receivables	(3,689,928)	(2,512,955)
Net increase in creditors, accrued and other liabilities	4,926,729	6,069,596
	(6,100,621)	(5,797,305)
	17,648,924	11,227,525

23 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).

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

For the six months ended June 30, 2022

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, 2022 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	3,945,392	–	–	3,945,392
Investment - FVTOCI	–	–	–	–
Total assets at fair value	3,945,392	–	–	3,945,392

	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	2,242,710	–	–	2,242,710
Investment - FVTOCI	–	–	–	–
Total assets at fair value	2,242,710	–	–	2,242,710

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

24 Date of authorization of issue

These financial statements have been authorized for issue on August 25, 2022 by the Board of Directors of the Company.

25 General

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	Note	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,700,010,000 (December 31, 2021: 2,700,010,000) shares of Rs 10 each		27,000,100	27,000,100
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2021: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	77,696,582	79,263,264
		98,696,582	100,263,264
NON CURRENT LIABILITIES			
Long term finances	5	9,532,093	5,172,276
Lease liabilities		1,106,794	1,437,025
Deferred liabilities	6	25,713,492	23,522,297
Long term deposits		299,971	175,104
		36,652,350	30,306,702
CURRENT LIABILITIES			
Trade and other payables		44,172,353	38,469,418
Accrued finance cost		447,140	307,184
Income tax payable		12,279,370	4,968,065
Short term finances - secured	7	2,211,958	6,465,772
Unpaid dividend		–	1,738,864
Unclaimed dividend		51,985	44,951
Current portion of:			
- Long term finances	5	1,730,449	1,892,328
- Lease liabilities		610,279	375,273
- Deferred government grant		30,930	61,440
		61,534,464	54,323,295
CONTINGENCIES & COMMITMENTS			
	8		
		196,883,396	184,893,261

The annexed explanatory notes from 1 to 25 form an integral part of these condensed interim consolidated financial statements.

		Un audited June 30, 2022	Audited December 31, 2021
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	107,084,926	105,422,464
Intangible assets	10	2,438,247	3,608,877
Investment property	11	774,887	775,339
		110,298,060	109,806,680
Long term investments		1,562,775	795,311
Long term loan to an associated company		2,999,000	1,999,333
Long term advances and deposits		1,147,233	518,424
		5,709,008	3,313,068
		116,007,068	113,119,748
CURRENT ASSETS			
Stores and spares	12	14,205,110	11,565,833
Stock in trade	13	20,942,583	18,331,781
Trade debts	14	11,691,073	9,654,308
Short term loans		6,999,723	6,999,723
Advances, deposits, prepayments and other receivables	15	18,976,240	15,635,757
Short term investments		3,957,492	2,242,710
Cash and bank balances		4,104,107	7,343,401
		80,876,328	71,773,513
		196,883,396	184,893,261



Chief Executive Officer



Director



Chief Financial Officer

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

For the six months ended June 30, 2022

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(Rupees in thousand)					
Sales	16	33,169,570	25,704,410	62,283,586	47,307,977
Cost of sales	17	(17,117,077)	(14,042,016)	(33,980,534)	(26,381,029)
 Gross profit		16,052,493	11,662,394	28,303,052	20,926,948
Distribution cost		(1,897,457)	(1,059,586)	(3,326,745)	(2,614,300)
Administrative expenses		(1,353,728)	(963,051)	(2,485,167)	(1,819,795)
		12,801,308	9,639,757	22,491,140	16,492,853
Finance cost	18	(757,787)	(668,061)	(1,174,568)	(1,210,609)
Other operating expenses		(1,915,052)	(699,554)	(3,178,443)	(1,198,178)
		10,128,469	8,272,142	18,138,129	14,084,066
Other income		545,985	402,304	886,290	500,798
Share of profit from associates		17,407	11,022	25,188	17,757
Other gains / (losses):					
- Unwinding of provision for GIDC		(71,639)	(194,962)	(149,230)	(194,962)
- (Loss allowance) / reversal of loss allowance on subsidy receivable from GoP		(27,431)	45,030	(54,862)	45,030
		(99,070)	(149,932)	(204,092)	(149,932)
 Profit before tax		10,592,791	8,535,536	18,845,515	14,452,689
Taxation	19	(10,425,753)	(2,993,722)	(12,988,469)	(5,137,985)
 Profit for the period		167,038	5,541,814	5,857,046	9,314,704
 Earnings per share - basic and diluted (Rupees)	20	0.08	2.64	2.79	4.44

The annexed explanatory notes from 1 to 25 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, 2022

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
Profit for the period	167,038	5,541,814	5,857,046	9,314,704
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	93,310	5,541,814	5,783,318	9,314,704

The annexed explanatory notes from 1 to 25 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, 2022

	Ordinary share capital	Capital reserve	Revenue reserve	Post retirement benefit obligation reserve	Total
	Share premium	Unappropriated profit			
(Rupees in thousand)					
Balance at December 31, 2020 (Audited)	21,000,000	1,790,000	64,374,342	(61,686)	87,102,656
Profit for the period	-	-	9,314,704	-	9,314,704
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	9,314,704	-	9,314,704
Transaction with owners:					
- Final dividend for the year ended December 31, 2020 @ Rs 2.50 per share	-	-	(5,250,000)	-	(5,250,000)
Balance at June 30, 2021 (Un audited)	21,000,000	1,790,000	68,439,046	(61,686)	91,167,360
Balance 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 at June 30, 2022 (Un audited)	21,000,000	1,790,000	76,093,827	(187,245)	98,696,582

The annexed explanatory notes from 1 to 25 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, 2022

	Note	Six months ended	
		June 30, 2022	June 30, 2021
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	22	17,669,024	11,227,525
Net increase in long term deposits		124,867	7,579
Finance cost paid		(964,529)	(1,059,568)
Taxes paid		(3,001,296)	(1,824,460)
Employee retirement benefits paid		(59,373)	(142,477)
Net cash generated from operating activities		13,768,693	8,208,599
Cash flows from investing activities			
Additions in property, plant and equipment		(4,308,503)	(1,886,766)
Additions in intangible assets		(29,532)	(5,880)
Proceeds from disposal of property, plant and equipment		12,642	1,482
Short term loans made		-	(3,758,000)
Long term investments made		(750,001)	(600,000)
Short term investments made		(2,252,258)	(534,257)
Proceeds from short term investments		113,468	534,232
Profit received on loans and saving accounts		75,165	1,464,651
Dividend income received		93,365	133,313
Net (increase) / decrease in long term advances and deposits		(628,809)	3,496
Net cash used in investing activities		(7,674,463)	(4,647,729)
Cash flows from financing activities			
Proceeds from long term finances		5,235,656	222,659
Repayment of long term finances		(1,061,719)	(2,999,675)
Repayment of lease liabilities		(171,817)	(544,481)
Dividend paid		(9,081,830)	(2,154,129)
(Decrease) / increase in short term finances - net		(4,554,236)	674,251
Net cash used in financing activities		(9,633,946)	(4,801,375)
Net decrease in cash and cash equivalents		(3,539,716)	(1,240,505)
Cash and cash equivalents at the beginning of the period		5,642,936	(3,538,222)
Cash and cash equivalents at the end of the period		2,103,220	(4,778,727)
Cash and cash equivalents comprises of following:			
Cash and bank balances		4,104,107	370,447
Running finance		(2,000,887)	(5,149,174)
Cash and cash equivalents at the end of the period		2,103,220	(4,778,727)

The annexed explanatory notes from 1 to 25 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, 2022

1 Legal status and nature of business

Fatima Fertilizer Company Limited (the Holding Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and it is listed on Pakistan Stock Exchange. Fatimafert Limited, Fatima Cement Limited and Pan-Africa Fertilizers Limited are wholly owned subsidiaries of the Holding Company. Fatimafert Limited and Fatima Cement 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 and cement. Registered offices of the Holding and Subsidiary companies are situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facilities of the Holding Company are located at Mukhtargarh - Sadiqabad, Khanewal Road - Multan and at Chichoki Mallian - Sheikhpura, Pakistan.

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 financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2021. Comparative condensed interim consolidated statement of financial position is extracted from annual audited financial statements for the year ended December 31, 2021 and comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows are extracted from un audited condensed interim consolidated financial statements for the six months ended June 30, 2021.

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 financial statements of the Group for the year ended December 31, 2021.

	Note	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)			
4 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		76,093,827	77,593,347
Post retirement benefit obligation reserve		(187,245)	(120,083)
		77,696,582	79,263,264
5 Long term finances			
Secured loans from banking companies / financial institutions	5.1	11,262,542	7,064,604
Less: Current portion		1,730,449	1,892,328
		9,532,093	5,172,276
5.1 Movement of long term finances			
Opening balance		7,064,604	8,917,289
Disbursements during the period / year		5,235,656	3,920,362
Repayments during the period / year		(1,061,719)	(5,857,386)
Accreditation of loan under SBP Islamic Refinance Scheme		24,001	87,651
Exchange gain on translation of foreign currency loan		–	(3,312)
Closing balance		11,262,542	7,064,604
6 Deferred liabilities			
Deferred taxation		22,915,681	20,274,052
Employee retirement benefits	6.1	1,113,684	955,419
Provision for Gas Infrastructure Development Cess (GIDC)		1,684,127	2,292,826
		25,713,492	23,522,297
6.1 Employee retirement benefits			
Gratuity		1,048,023	877,217
Accumulating compensated absences		65,661	78,202
		1,113,684	955,419

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

For the six months ended June 30, 2022

7 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, Cash Finance and Finance against Imported Merchandise.

The 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 8.30% to 15.77% (December 31, 2021: 7.55% to 11.09%) per annum for Running Finance and Cash Finance and 8.87% to 14.16% (December 31, 2021: 7.61% to 10.47%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

As at June 30, 2022, 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, 2021, except for the following:

- (i) The Holding Company has filed an appeal before the Commissioner Inland Revenue (Appeals), [CIR(A)] against the order u/s 11 of Sales Tax Act, 1990 (STA). The assessing officer had raised demand of Rs 4,272 Million against the Holding Company by disallowing the admissibility of sales tax on various items claimed during January 2021 to November 2021 invoking the provisions of section 8 of STA.
- (ii) The Holding Company has filed an appeal before the CIR (A) against the order u/s 11 of the STA. The assessing officer 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 invoking the provisions of section 8 of STA.
- (iii) The Holding Company's appeal filed with CIR (A) against the order amounting to Rs 7,745 million has succeed and the order has been set aside. The demand was raised against the Holding Company by selecting it for the sales tax audit u/s 25 of STA for the tax periods from July 2016 to June 2017.

Based on the advice of the Holding Company's legal counsels and tax advisor, management considers that reasonable grounds exist that all the above appeals will succeed. Consequently, no provision has been recognized for the above mentioned amounts.

- (iv) The Holding Company has issued Corporate Guarantee in favor of Pakarab Fertilizers Limited (an associated undertaking) amounting to Rs 5,982 million (December 31, 2021: Rs 5,271 million).

In light of the legal advice, the management is of the opinion that ultimate beneficiary of corporate guarantees amounting to Rs 2,718 million is the Holding Company and therefore does not require any shareholder approval, however the Holding Company has already obtained approval of the shareholders for the remaining amount.

	Note	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)			
8.2 Commitments in respect of:			
(i)	Contracts for capital expenditure	2,478,435	3,880,314
(ii)	Contracts for other than capital expenditure	1,532,634	3,605,830
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:		
	Not later than one year	608,782	231,860
	Later than one year but not later than five years	836,747	144,174
		1,445,529	376,034
9 Property, plant and equipment			
	Operating fixed assets	9.1	99,356,468
	Capital work in progress	9.2	7,728,458
			107,084,926
			105,422,464
9.1 Movement of operating fixed assets			
	Opening book value		99,741,174
	Additions during the period / year	9.1.1	2,261,335
			102,002,509
			105,545,823
	Less: Depreciation charged during the period / year		2,636,334
	Book value of disposals during the period / year		9,707
			5245,720
			558,929
	Closing book value		99,356,468
			99,741,174
9.1.1 Additions during the period / year			
	Freehold land		1,063,478
	Building on freehold land		–
	Plant and machinery		573,480
	Catalysts		–
	Furniture and fixtures		22,090
	Office equipment		19,054
	Electric installations and appliances		259,644
	Computers		125,370
	Vehicles		198,219
			2,261,335
			4,821,258

9.1.2 Operating fixed assets include right of use assets amounting to Rs 1,574.47 million (December 31, 2021: Rs 1,699.26 million) as at reporting date.

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

For the six months ended June 30, 2022

	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)		
9.2 Capital work in progress		
Civil works	347,351	175,861
Plant and machinery	2,200,706	1,882,284
Capital stores	3,380,845	1,799,228
Advances:		
- Freehold land	440,508	756,240
- Plant and machinery	1,359,048	1,067,677
	1,799,556	1,823,917
	7,728,458	5,681,290
9.2.1 Movement of capital work in progress		
Opening balance	5,694,759	4,213,168
Additions during the period / year	3,213,210	4,751,907
	8,907,969	8,965,075
Less: Capitalization during the period / year	1,158,948	3,270,316
	7,749,021	5,694,759
Less: Provision for slow moving capital stores	20,563	13,469
Closing balance	7,728,458	5,681,290
10 Intangible assets		
Opening book value	3,608,877	5,991,019
Additions during the period / year	29,532	19,741
	3,638,409	6,010,760
Less: Amortization charged during the period / year	20,162	41,883
Impairment charged during the period / year	1,180,000	2,360,000
Closing book value	2,438,247	3,608,877
11 Investment property		
Opening book value	775,339	756,189
Additions during the period / year	-	20,056
	775,339	776,245
Less: Depreciation charged during the period / year	452	906
Closing book value	774,887	775,339
12 Stores and spares		
Stores	732,732	495,097
Spares	9,291,183	7,498,447
Catalyst and chemicals	4,325,218	3,672,827
	14,349,133	11,666,371
Less: Provision for slow moving stores and spares	144,023	100,538
	14,205,110	11,565,833

	Un audited June 30, 2022	Audited December 31, 2021
(Rupees in thousand)		
13 Stock in trade		
Raw materials {including in transit Rs 856.78 million (December 31, 2021: Rs 3,871.03 million)}	2,317,867	10,558,828
Packing materials	88,487	28,981
Mid products		
Ammonia	137,877	95,189
Nitric acid	41,504	22,425
Others	5,821	4,950
	185,202	122,564
Finished goods		
Own manufactured		
Urea	2,448,235	247,278
NP	10,643,183	5,185,720
CAN	370,429	29,333
Certified emission reductions	22,409	51,981
	13,484,256	5,514,312
Purchased for resale	4,866,771	2,107,096
	20,942,583	18,331,781

14 Trade debts

This includes Rs 5,671.76 million (December 31, 2021: Rs 4,008.44 million) pertaining to Pakarab Fertilizers Limited, an associated company, on account of toll manufacturing in the normal course of business.

- 15** This includes an advance of Rs 2,225.80 million which the Holding Company has contributed in technology sector through funding rounds, carrying preferential rights over other investors. Considering the recent global economic meltdown and prevailing economic conditions the said contribution carries potential risk of remeasurement. The management is assessing multiple avenues to mitigate such risk.

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(Rupees in thousand)					
16 Sales					
Revenue from contracts with customers					
Local sales	16.1	32,922,928	25,704,410	62,036,944	47,307,977
Certified emission reductions		246,642	-	246,642	-
		33,169,570	25,704,410	62,283,586	47,307,977

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

For the six months ended June 30, 2022

Note	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(Rupees in thousand)				
16.1 Local sales				
Own manufactured	22,137,888	19,736,547	42,465,842	40,689,600
Toll manufacturing	11,538,153	6,405,228	20,185,447	6,405,228
Mid products	371,299	289,842	687,884	595,641
Purchased for resale	698,930	203,721	1,326,455	1,371,117
	34,746,270	26,635,338	64,665,628	49,061,586
Less: Sales tax	748,107	563,941	1,387,878	1,041,481
Discounts	1,075,235	366,987	1,240,806	712,128
	32,922,928	25,704,410	62,036,944	47,307,977
17 Cost of sales				
Raw material consumed	15,170,856	7,508,425	29,273,213	13,765,110
Packing material consumed	787,301	704,026	1,516,794	1,231,648
Salaries, wages and other benefits	2,340,229	1,519,990	3,891,826	2,855,046
Fuel and power	2,145,775	1,802,693	4,581,971	3,355,629
Chemicals and catalyst consumed	758,262	577,396	1,474,700	1,013,401
Stores and spares consumed	623,867	614,716	1,808,865	1,263,280
Technical assistance	98,863	206,900	197,326	221,225
Repair and maintenance	2,147,271	1,518,590	2,554,958	1,730,455
Insurance	274,178	213,020	524,125	413,403
Travelling and conveyance	58,563	32,982	107,363	65,891
Rent, rates and taxes	153,476	65,413	277,884	132,876
Vehicle running and maintenance	51,834	28,502	103,843	58,436
Depreciation	1,254,639	729,883	2,503,586	1,481,236
Others	73,597	2,763	155,894	44,335
Subsidy on RLNG released by GoP to SNGPL	17.1 (4,576,781)	(1,532,564)	(7,892,654)	(1,532,564)
Manufacturing cost	21,361,930	13,992,735	41,079,694	26,099,407
Opening stock of mid products	115,043	261,692	122,564	311,053
Closing stock of mid products	(185,202)	(65,411)	(185,202)	(65,411)
Cost of goods manufactured	21,291,771	14,189,016	41,017,056	26,345,049
Opening stock of finished goods	8,810,296	9,150,053	5,514,312	8,373,200
Closing stock of finished goods	(13,484,256)	(9,508,714)	(13,484,256)	(9,508,714)
Cost of sales - own manufactured	16,617,811	13,830,355	33,047,112	25,209,535
Cost of sales - purchased for resale	499,266	211,661	933,422	1,171,494
	17,117,077	14,042,016	33,980,534	26,381,029

17.1 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.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
18 Finance cost				
Markup on long term finances	223,706	183,547	393,884	392,251
Markup on short term finances	146,088	290,924	274,823	473,586
Interest on lease liabilities	37,771	39,806	76,592	82,249
Bank charges and others	350,222	153,784	429,269	262,523
	757,787	668,061	1,174,568	1,210,609

19 This includes super tax amounting to Rs 3,494.88 million relating to year 2021.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Rupees in thousand)			
20 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	167,038	5,541,814	5,857,046	9,314,704
	(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	0.08	2.64	2.79	4.44

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

For the six months ended June 30, 2022

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

		Six months ended	
		June 30, 2022	June 30, 2021
		(Rupees in thousand)	
Relationship with the Company	Nature of transaction		
Associated companies	Purchase of packing material	1,537,521	1,292,594
	Purchase of raw material	1,438,446	2,232,550
	Purchase of catalysts	–	70,648
	Purchase of stores and spares	653,451	309,302
	Sale of mid products	73,240	51,621
	Lease rental and license fee	79,200	72,000
	Payment against sales collection	25,736,267	4,931,253
	Toll manufacturing revenue	20,185,447	6,405,228
	Fee for services	2,217,686	1,650,805
	Miscellaneous expenses	65,840	41,496
	Short term loan given	–	3,758,000
	Markup income	668,320	335,233
	Markup expense	–	99,452
Directors and key management personnel	Remuneration including benefits and perquisites	384,430	204,874
Retirement benefit plans	Retirement benefit expense	189,420	99,394

	Six months ended	
	June 30, 2022	June 30, 2021
	(Rupees in thousand)	
22 Cash generated from operations		
Profit before tax	18,845,515	14,452,689
Adjustments for:		
Depreciation on property, plant and equipment	2,636,334	1,598,359
Depreciation on investment property	452	453
Amortization of intangible assets	20,162	20,452
Finance cost	1,174,568	1,210,609
Impairment of brand	1,180,000	–
Provision for staff retirement benefits	117,396	38,000
Provision for slow moving stores and spares	50,578	23,116
Exchange gain on translation of foreign currency loan	–	(3,312)
Profit on short term loans to associated companies	(668,320)	(335,494)
Loss on remeasurement of investment - FVTPL	424,008	31,799
Loss allowance / (reversal of loss allowance) on subsidy receivable from GoP	54,862	(45,030)
Unwinding of provision for GIDC	149,230	194,962
Dividend income	(93,365)	(133,313)
Share of profit from associated companies	(25,188)	(17,757)
Profit on saving accounts	(103,021)	(9,457)
Gain on disposal of property, plant and equipment	(2,935)	(1,334)
	4,914,761	2,572,053
Operating cash flows before working capital changes	23,760,276	17,024,742
Effect on cash flow due to working capital changes:		
Increase in current assets:		
Stores and spares	(2,689,855)	(2,144,145)
Stock in trade	(2,610,802)	(1,916,860)
Trade debts	(2,036,765)	(5,292,941)
Advances, deposits, prepayments and other receivables	(3,698,836)	(2,512,867)
Net increase in creditors, accrued and other liabilities	4,945,006	6,069,596
	(6,091,252)	(5,797,217)
	17,669,024	11,227,525

23 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).

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

For the six months ended June 30, 2022

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, 2022 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	3,957,492	-	-	3,957,492
Investment - FVTOCI	-	-	-	-
Total assets at fair value	3,957,492	-	-	3,957,492

	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	2,242,710	-	-	2,242,710
Investment - FVTOCI	-	-	-	-
Total assets at fair value	2,242,710	-	-	2,242,710

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

24 Date of authorization of issue

These consolidated financial statements have been authorized for issue on August 25, 2022 by the Board of Directors of the Holding Company.

25 General

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



Chief Executive Officer



Director



Chief Financial Officer



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