



PEOPLE, PROCESS, POWER

For a Sarsabz Pakistan.

HALF YEARLY
REPORT
2019

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COMPANY INFORMATION

Board of Directors

Mr. Arif Habib

Chairman

Mr. Fawad Ahmed Mukhtar

Chief Executive Officer

Mr. Fazal Ahmed Sheikh

Director

Mr. Faisal Ahmed Mukhtar

Director

Mr. M. Abad Khan

Director

Mr. Muhammad Kashif Habib

Director

Ms. Anja E. Nielsen

Independent Director

Mr. Tariq Jamali

Nominee Director – NBP

Director Finance & Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi

(communications@fatima-group.com)

Key Management

Mr. Arif-ur-Rehman

Chief Manufacturing Officer

Mr. Rehman Hanif

Plant Manager

Mr. Khurram Javed Maqbool

Director Sales & Marketing

Ms. Sadia Irfan

Director HR

Mr. Iftikhar Mahmood Baig

Director Business Development

Mr. Ahsen-ud-Din

Director Technology Division

Sardar Naufil Mahmud

Chief Information Officer

Mr. Salman Ahmad

Head of Internal Audit

Mr. Faisal Jamal

Corporate HSE & Technical Support Manager

Mr. Asghar Naveed

Plant Manager Fatimafert Limited

Audit Committee Members

Ms. Anja E. Nielsen

Chairman

Mr. Muhammad Kashif Habib

Member

Mr. Faisal Ahmed Mukhtar

Member

Mr. M. Abad Khan

Member

Mr. Tariq Jamali

Member

HR and Remuneration Committee Members

Ms. Anja E. Nielsen

Chairman

Mr. M. Abad Khan

Member

Mr. Muhammad Kashif Habib

Member

Mr. Faisal Ahmed Mukhtar

Member

Legal Advisors

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

Auditors

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

Registrar and Share Transfer Agent

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

Bankers

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

Registered Office / Head Office

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

Plant Site

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

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

On behalf of the Board of Directors of Fatima Fertilizer Company Limited, we are pleased to present the un-audited financial statements of the Company with the Auditor's Review Report for the half year ended June 30, 2019 along with brief overview of operational and financial performance of the Company.

Market Overview - Global

Global supply remained steady with higher product availability from China and India as Chinese domestic season winded down and Indian plants operated at full rates. Despite lower demand from the US due to weather complications, strong demand from Thailand and India and surprise demand from Australia kept the market strong.

Market Overview – Pakistan

The first half of 2019 closed with total fertilizer industry off-take at 4.0 million MT, increasing by 1.3% over 3.9 million MT for the same period a year before. Major reason for the growth was 6% increase in Urea sales which went up to 2.9 million MT from 2.7 million MT, which is impressive considering that during the first six month of the previous year the prices were supported by Federal subsidy. Decline in Phosphates is expected to recover during the remainder of the year.

Company Performance

The operational and financial performance of the Company remained satisfactory. Mainly due to absence of export sales, overall sales volume slid by more than 13%. The sales improved due to strong market dynamics and stable fertilizer prices.

Products	Sales Volume	
	Jan to Jun – 2019	Jan to Jun – 2018
	("000" Tons)	
Urea	209	306
CAN	262	280
NP	217	208
Total	688	794

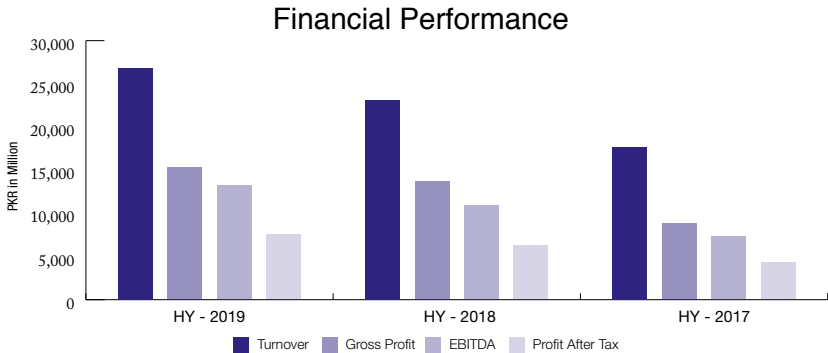
For the first time in the plants' 9-year operational history, Turnaround was carried out at biennial frequency and entailed more scope than earlier ones which were carried out on a 12 months' cycle. This posed greater challenge on job safety, quality and timeline, but the Company accomplished the task safely and successfully within the target timelines. More than 7,400 jobs were executed with peak daily involvement of over 6,000 workers, with zero recordable injury (TRIR) and highest number of safe million man hours in a turnaround (1.59 SMMHs).

Consequently, production volumes remained lower by 10% compared to comparative period last year.

Production Volume		
Products	Jan to Jun – 2019	Jan to Jun – 2018
	("000" Tons)	
Ammonia	244	284
Nitric Acid	247	252
Urea	177	234
CAN	216	237
NP	215	203

Adverse impact of rupee devaluation and increasing input prices on gross profit margins was absorbed by improved sales revenue during the current period as against last year, resultantly the amount of Gross Profit of the Company increased from PKR 13.76 Billion to PKR 15.34 Billion.

We are pleased to report that, with effective and efficient cost management and planning, the Company has achieved net profit rates at almost par with last years' comparative period, despite the adversity resulting from massive rupee devaluation and interest rate hike. As a result, the Company posted Profit before Tax of PKR 10.62 Billion and After Tax Profit of PKR 7.53 Billion compared to PKR 9.31 Billion and PKR 6.34 Billion posted for comparative period last year. Company's Earnings per Share (EPS) stand at Rs 3.59 per share against Rs 3.02 per share in the corresponding period last year.



Fatima Site achieved combined 50.83 Million safe man-hours at the end of June 2019. Fatima has become first fertilizer plant to achieve landmark of 50 Million Safe Man-hours on 24th April 2019. Overall HSE performance remained excellent with Zero recordable injury in the review period. Our state of the art plant safety management systems gained international recognition through distinction in International Safety Award (British Safety Council) and Gold Award from Royal Society for Prevention of Accident (ROSPA).

Consolidated Financial Results

With sustained gas supply though at higher gas price, Fatimafert (FFT) remained in operation for over 5 months during 1H-19. During the period it produced 219,743 MT Urea against NIL production for comparative period last year due to non availability of natural gas at viable rates. During the period FFT sold 174,288 MT of Urea and 16,791 MT DAP compared to 7,604 MT DAP only in comparative period last year.

Summary of consolidated financial results for half year ended June 30, 2019 is as follows:

	PKR in Million
Sale	34,013
Gross Profit	15,437
Profit Before Tax	10,089
Profit After Tax	7,057

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

Future Outlook

The demand and prices of fertilizers is expected to remain stable for the remainder of the year with supportive Government policies. Company performance is expected to improve with improved plant reliability and efficiency post Turnaround. With its strong financial and liquidity position, your Company is considering various additional initiatives from within and outside fertilizer sector to maintain and enhance its earnings for the benefit of its stakeholders.

Acknowledgements

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

For and on behalf of the Board

Lahore
August 27, 2019


Fawad Ahmed Mukhtar
Chief Executive Officer


Arif Habib
Chairman



**CONDENSED INTERIM
FINANCIAL STATEMENTS**

for the six months ended June 30, 2019

INDEPENDENT AUDITOR'S 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, 2019 and the related condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim profit and loss account for the three-months period ended June 30, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2019.

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 Rana M. Usman Khan.

Deloitte Young & Aulick

Chartered Accountants

Lahore
August 27, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2018: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2018: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	45,116,151	41,261,314
		66,116,151	62,261,314
NON CURRENT LIABILITIES			
Long term finances	5	4,847,688	6,887,911
Deferred liabilities	6	16,109,328	15,807,481
Long term deposits		48,370	49,006
		21,005,386	22,744,398
CURRENT LIABILITIES			
Trade and other payables		17,901,354	13,688,406
Accrued finance cost		358,788	224,119
Short term finances - secured	7	8,200,965	4,821,661
Unpaid dividend		1,290,909	–
Unclaimed dividend		39,845	68,832
Current maturity of long term finances	5	5,420,594	6,142,276
		33,212,455	24,945,294
CONTINGENCIES & COMMITMENTS			
	8		
		120,333,992	109,951,006

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

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	81,550,050	78,261,964
Intangible assets	10	73,937	78,653
		81,623,987	78,340,617
Long term investments		2,240,360	2,240,360
Long term loan to associated company		2,999,000	1,999,333
Long term deposits		86,383	254,294
		86,949,730	82,834,604
CURRENT ASSETS			
Stores and spares	11	5,089,806	5,058,691
Stock in trade	12	5,038,209	5,028,170
Trade debts		3,225,615	2,397,405
Short term loans		7,233,923	6,072,923
Advances, deposits, prepayments and other receivables		11,531,344	7,398,286
Short term investments		672,172	623,273
Cash and bank balances		593,193	537,654
		33,384,262	27,116,402
		120,333,992	109,951,006



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the six months ended June 30, 2019

Note	Three months ended		Six months ended		
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
	(Rupees in thousand)				
Sales	13	13,460,982	11,712,625	26,807,771	23,101,222
Cost of sales	14	(6,006,984)	(4,787,734)	(11,466,472)	(9,342,500)
Gross profit		7,453,998	6,924,891	15,341,299	13,758,722
Distribution cost		(529,736)	(1,008,302)	(1,789,645)	(2,350,566)
Administrative expenses		(654,647)	(389,501)	(1,223,674)	(1,015,092)
		6,269,615	5,527,088	12,327,980	10,393,064
Finance cost	15	(777,238)	(316,809)	(1,340,009)	(640,284)
Other operating expenses		(464,667)	(436,914)	(1,052,947)	(794,294)
		5,027,710	4,773,365	9,935,024	8,958,486
Other income		382,897	200,170	684,453	353,922
Profit before tax		5,410,607	4,973,535	10,619,477	9,312,408
Taxation		(1,517,041)	(1,523,935)	(3,087,707)	(2,975,736)
Profit for the period		3,893,566	3,449,600	7,531,770	6,336,672
Earnings per share					
- basic and diluted (Rupees)	17	1.85	1.64	3.59	3.02

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

For the six months ended June 30, 2019

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees in thousand)			
Profit for the period	3,893,566	3,449,600	7,531,770	6,336,672
Items that may be reclassified subsequently to profit or loss:				
Deficit on remeasurement of investments classified as available for sale	-	(731)	-	(731)
Fair value through other comprehensive income (FVTOCI)	(2,722)	-	(2,722)	-
Related tax thereon	789	219	789	219
Other comprehensive Income	(1,933)	(512)	(1,933)	(512)
Total comprehensive income for the period	3,891,633	3,449,088	7,529,837	6,336,160

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurement of investment	Total
	Share premium	Unappropriated profit				
(Rupees in thousand)						
Balance at December 31, 2017 (Audited)	21,000,000	1,790,000	31,002,102	(49,073)	(1,237)	53,741,792
Profit for the period	-	-	6,336,672	-	-	6,336,672
Other comprehensive income:						
Deficit on remeasurement of investments available for sale - net of tax	-	-	-	-	(512)	(512)
Total comprehensive income	-	-	6,336,672	-	(512)	6,336,160
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	-	-	(4,725,000)	-	-	(4,725,000)
Balance at June 30, 2018 (Un audited)	21,000,000	1,790,000	32,613,774	(49,073)	(1,749)	55,352,952
Balance at December 31, 2018 (Audited)	21,000,000	1,790,000	39,549,494	(74,029)	(4,151)	62,261,314
Profit for the period	-	-	7,531,770	-	-	7,531,770
Other comprehensive income:						
Deficit on remeasurement of investments FVTOCI - net of tax	-	-	-	-	(1,933)	(1,933)
Total comprehensive income	-	-	7,531,770	-	(1,933)	7,529,837
Transactions with owners:						
- Final dividend for the year ended December 31, 2018 @ Rs 1.75 per share	-	-	(3,675,000)	-	-	(3,675,000)
Balance at June 30, 2019 (Un audited)	21,000,000	1,790,000	43,406,264	(74,029)	(6,084)	66,116,151

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN AUDITED)

For the six months ended June 30, 2019

	Note	June 30, 2019	June 30, 2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	18	10,495,666	12,855,884
Net decrease in long term deposits		(636)	(4,619)
Finance cost paid		(1,205,340)	(707,046)
Taxes paid		(2,036,375)	(1,092,850)
Employee retirement benefits paid		(16,350)	(17,813)
Net cash from operating activities		7,236,965	11,033,556
Cash flows from investing activities			
Additions in property, plant and equipment		(4,520,697)	(2,166,346)
Additions in intangible assets		(8,610)	(627)
Long term investment		–	(1,959)
Short term loans to associated companies - net		(1,161,000)	(2,945,000)
Short term investment		(128,770)	–
Proceeds from short term investment		40	40
Proceeds from disposal of property plant and equipment		460	545
Net decrease / (increase) in long term deposits		167,911	(85,753)
Dividend received		8,914	–
Profit received on short term loan and saving accounts		488,168	274,045
Net cash used in investing activities		(5,153,584)	(4,925,055)
Cash flows from financing activities			
Repayment of long term finances		(2,994,068)	(2,837,422)
Dividend paid		(2,413,078)	(4,642,719)
Increase in short term finance - net		3,379,304	1,208,739
Net cash used in financing activities		(2,027,842)	(6,271,402)
Net increase / (decrease) in cash and cash equivalents		55,539	(162,901)
Cash and cash equivalents at the beginning of the period		537,654	809,945
Cash and cash equivalents at the end of the period		593,193	647,044

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



Chief Executive Officer



Director



Chief Financial Officer

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

For the six months ended June 30, 2019

1 Legal Status and nature of business

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

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

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

2 Basis of preparation

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

3 Accounting polices and estimates

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

3.1 New Accounting Standards effective for the period

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

- IFRS 15 'Revenue from contracts with customers' replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition. It introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- IFRS 16 'Leases' replaces the previous lease standard: IAS 17 Leases. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.
- IFRS 9 'Financial Instruments' replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)		
4 Reserves		
Capital reserve:		
Share premium	1,790,000	1,790,000
Revenue reserve:		
Unappropriated profit	43,406,264	39,549,494
Post retirement benefit obligation reserve	(74,029)	(74,029)
Deficit on remeasurement of investment - FVTOCI	(6,084)	(4,151)
	45,116,151	41,261,314
5. Long term finances		
Rated, listed and secured Ijarah Sukuk Certificates	5,250,000	6,300,000
Secured loans from banking companies/ financial institutions	5,018,282	6,730,187
	10,268,282	13,030,187
Less: Current portion	5,420,594	6,142,276
	4,847,688	6,887,911
5.1 Movement of long term finances		
Opening balance	13,030,187	16,426,334
Disbursements	–	2,156,282
Repayments	(2,994,068)	(5,907,718)
Exchange loss on translation of foreign currency loan	232,163	355,289
Closing Balance	10,268,282	13,030,187

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

For the six months ended June 30, 2019

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
6. Deferred liabilities			
Deferred taxation	6.1	15,400,433	15,163,271
Employee retirement benefits	6.2	708,895	644,210
		16,109,328	15,807,481

6.1 Deferred taxation

	June 30, 2019 (Un audited)			
	At December 31, 2018	Charged / (credited) to		At June 30, 2019
		Profit or loss	Other comprehensive income	
(Rupees in thousand)				
Deferred tax liabilities:				
Accelerated tax depreciation	15,192,988	237,951	-	15,430,939
Deferred tax asset:				
Short term investment - FVTOCI	(1,703)	-	(789)	(2,492)
Remeasurement of defined benefit obligation	(28,014)	-	-	(28,014)
	(29,717)	-	(789)	(30,506)
	15,163,271	237,951	(789)	15,400,433

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

Un audited
June 30, 2019

Audited
December 31, 2018

(Rupees in thousand)

6.2 Employee retirement benefits

Gratuity	504,851	449,612
Accumulating compensated absences	204,044	194,598
	708,895	644,210

7 Short term finances

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

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

These facilities carry mark-up ranging from 10.46% to 13.80% (December 31, 2018: 5.78% to 11.40%) per annum for Running Finance and Cash Finance and 10.76% to 13.92% (December 31, 2018: 7.53% to 10.65%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

As at June 30, 2019, there is no material change in the status of contingencies as reported in the notes to the financial statements of the Company for the year ended December 31, 2018.

- i Deciding on the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) [CIR(A)] has annulled the order passed under section 122(5A) of Income Tax Ordinance, 2001, by the Additional Commissioner Inland Revenue (ACIR) Multan. ACIR had raised a demand of Rs 1,592 million against the Company by disallowing and adding back various admissible deductions claimed by the Company towards its taxable income for Tax year 2017.
- ii Deciding on the appeal filed by the Company, the CIR(A) has annulled the order passed under section 122(5) of Income Tax Ordinance, 2001, by the Deputy Commissioner Inland Revenue (DCIR) Multan. DCIR had raised a demand of Rs 1,055 million against the Company by declaring the Company's Trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for Tax year 2011.
- iii The Company is in the process of filing an appeal before the CIR(A) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990 (STA) in respect of case selected for audit u/s 25 of Sales Tax Act for the period from July 2014 to June 2015 thereby framing an impugned tax demand of Rs 130 million.

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

For the six months ended June 30, 2019

	Note	Un audited June 30, 2019	Audited December 31, 2018	
(Rupees in thousand)				
8.2 Commitments in respect of :				
(i)	Contracts for capital expenditure	835,609	1,844,529	
(ii)	Contracts for other than capital expenditure	316,425	850,480	
(iii)	The amount of future payments under non cancellable operating leases:			
	Not later than one year	274,802	273,053	
	Later than one year but not later than five years	297,390	217,901	
		572,192	490,954	
9. Property, plant and equipment				
	Operating fixed assets- tangible	9.1	72,410,518	71,603,766
	Capital work in progress	9.2	9,139,532	6,658,198
			81,550,050	78,261,964
9.1 Movement of operating fixed assets- tangible				
	Opening book value		71,603,766	70,142,753
	Additions during the period	9.1.1	2,039,363	4,748,923
	Less: book value of disposals during the period		169	-
			73,642,960	74,891,676
	Less: depreciation charged during the period		1,232,442	3,287,910
	Closing book value		72,410,518	71,603,766
9.1.1 Additions during the period				
	Building on freehold land		269,429	95,234
	Building on leasehold land		23,571	30,445
	Plant and machinery		1,453,360	2,863,361
	Aircraft		-	1,567,285
	Catalysts		206,708	-
	Furniture and fixtures		1,867	9,456
	Office equipment		4,746	3,226
	Electric installations and appliances		25,278	57,207
	Computers		9,692	85,472
	Vehicles		44,712	37,237
			2,039,363	4,748,923

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
9.2 Capital work in progress			
Civil works		728,244	737,158
Plant and machinery		2,689,197	1,980,124
Capital stores		567,596	644,617
Advances:			
- Freehold land		5,086	187,879
- Civil works		-	2,724
- Plant and machinery	9.2.1	5,149,409	3,105,696
		5,154,495	3,296,299
		9,139,532	6,658,198

9.2.1 Advances for plant and machinery include Rs 4,321 million (December 31, 2018: Rs 2,250 million) paid to Pakarab Fertilizers Limited ('PFL'), an associated company, for purchase of its production and operating plants including Ammonia, Urea, Nitric Acid, Nitro Phosphate, Calcium Ammonium Nitrate and Clean Development Mechanism along with installed catalysts and any other related or ancillary equipment along with costs associated with ECC approved gas arrangement available with PFL. The transaction was approved by the shareholders of the Company through special resolution in Extra Ordinary General Meeting held on November 19, 2018.

		Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
9.2.2 Movement of capital work in progress			
Opening balance		6,658,198	2,847,204
Additions during the period		3,355,725	6,457,731
		10,013,923	9,304,935
Less: Capitalization during the period		874,391	2,646,737
Closing balance		9,139,532	6,658,198
10. Intangible assets			
Opening book value		78,653	38,196
Additions during the period		8,610	57,655
		87,263	95,851
Less: amortization charged during the period		13,326	17,198
Closing book value		73,937	78,653
11. Stores and spares			
Stores		245,202	251,433
Spares		3,658,962	3,765,897
Catalyst and chemicals		1,185,642	1,041,361
		5,089,806	5,058,691

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

For the six months ended June 30, 2019

	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)		
12. Stock in trade		
Raw material {including in transit Rs 1,018.962 million (December 31, 2018: Rs 14.831 million)}	1,980,766	1,474,847
Packing material	5,879	1,590
Mid Product		
Ammonia	22,922	18,638
Nitric Acid	5,904	17,740
Others	458	424
	29,284	36,802
Finished goods		
Urea	575,609	847,362
NP	2,096,581	2,004,330
CAN	279,862	577,154
Certified emission reductions	70,228	86,085
	3,022,280	3,514,931
	5,038,209	5,028,170

	Note	Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(Rupees in thousand)					
13. Sales					
Local sales	13.1	13,460,982	11,712,625	26,807,771	21,645,214
Export sales		-	-	-	1,456,008
		13,460,982	11,712,625	26,807,771	23,101,222
13.1 Local sales					
Fertilizer Products		13,705,675	12,502,907	27,291,998	23,120,308
Mid products		106,470	130,455	237,040	206,924
Subsidy from Government of Pakistan		-	99,143	-	270,655
Certified emission reductions		112,934	-	112,934	-
		13,925,079	12,732,505	27,641,972	23,597,887
Less: Sales Tax		281,110	845,611	565,672	1,627,768
Discounts		182,987	174,269	268,529	324,905
		13,460,982	11,712,625	26,807,771	21,645,214

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees in thousand)			
14. Cost of sales				
Raw material consumed	2,175,506	1,470,168	4,657,254	3,070,265
Packing material consumed	201,859	257,112	425,068	475,391
Salaries, wages and other benefits	616,817	489,236	1,294,829	1,183,934
Fuel and power	835,801	744,829	1,645,927	1,449,449
Chemicals and catalyst consumed	156,636	134,533	306,559	251,228
Stores and spares consumed	64,252	180,110	498,077	405,476
Technical assistance	49,695	4,154	69,671	25,171
Repair and maintenance	488,123	462,561	652,345	516,544
Insurance	51,634	39,421	101,768	78,848
Travelling and conveyance	32,622	22,224	47,385	37,834
Rent, rates and taxes	8,660	12,979	24,737	22,982
Vehicle running and maintenance	19,443	15,416	35,177	26,785
Depreciation	585,161	449,845	1,154,253	899,513
Others	24,218	16,074	53,253	30,644
Manufacturing cost	5,310,427	4,298,662	10,966,303	8,474,064
Opening stock of mid products	48,649	29,302	36,802	10,116
Closing stock of mid products	(29,284)	(31,209)	(29,284)	(31,209)
Cost of goods manufactured	5,329,792	4,296,755	10,973,821	8,452,971
Opening stock of finished goods	3,699,472	2,052,459	3,514,931	2,451,009
Closing stock of finished goods	(3,022,280)	(1,561,480)	(3,022,280)	(1,561,480)
	6,006,984	4,787,734	11,466,472	9,342,500
15. Finance cost				
Markup on long term finances	350,831	281,442	697,126	571,000
Markup on short term finances	281,268	22,827	479,875	42,215
Bank charges and others	145,139	12,540	163,008	27,069
	777,238	316,809	1,340,009	640,284

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

For the six months ended June 30, 2019

16 Transactions with related parties

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

		Six months Ended	
		June 30, 2019	June 30, 2018
		(Rupees in thousand)	
Relationship with the company	Nature of transaction		
Subsidiary company	Short term loan	1,161,000	945,000
	Other income	228,918	144,946
	Store and spares	-	121
	Miscellaneous expenses	-	22,532
Associated companies	Purchase of raw / packing material	534,600	591,450
	Short term loan	-	2,000,000
	Miscellaneous expenses	16,366	84,948
	Purchase of Aircraft and related accessories	-	1,599,997
	Sale of product	38,211	-
	Store and spares	314	3,650
	Other income	389,440	191,315
	Purchase of current assets	3,299,385	-
	Fee for services	371,395	389,539
Directors and key management personnel	Remuneration including benefits and perquisites	141,193	124,099
Retirement benefit plans	Retirement benefit expense	114,460	80,152

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(Rupees in thousand)				
17. Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	3,893,566	3,449,600	7,531,770	6,336,672
	(Number of shares)			
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	1.85	1.64	3.59	3.02

	Six months Ended	
	June 30, 2019	June 30, 2018
(Rupees in thousand)		
18. Cash generated from operations		
Profit before tax	10,619,477	9,312,408
Adjustments for:		
Depreciation on property, plant and equipment	1,232,442	952,894
Amortization of intangible assets	13,326	6,776
Finance cost	1,340,009	640,284
Provision for staff retirement benefits	81,035	52,679
Exchange loss on translation of foreign currency loan	232,163	150,940
Profit on short term loan to subsidiary and associated companies	(618,358)	(336,261)
Loss on remeasurement of investment - through profit or loss	77,109	-
Profit on saving accounts	(19,984)	(14,441)
Dividend Income	(8,914)	-
Gain on disposal of property plant and equipment	(291)	(545)
	2,328,537	1,452,326
Operating cash flows before working capital changes	12,948,014	10,764,734
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stores and spares	(31,115)	(301,153)
Stock in trade	(10,039)	94,919
Trade debts	(828,210)	(447,034)
Advances, deposits, prepayments and other receivables	(4,982,551)	(660,389)
Increase in creditors, accrued and other liabilities	3,399,567	3,404,807
	(2,452,348)	2,091,150
	10,495,666	12,855,884

19. Financial instruments

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

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

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

For the six months ended June 30, 2019

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

	June 30, 2019 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	481,007	–	–	481,007
Investment - FVTOCI	191,165	–	–	191,165
	672,172	–	–	672,172

	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	429,346	–	–	429,346
Investment - available for sale	193,927	–	–	193,927
	623,273	–	–	623,273

20. Date of Authorization of Issue

These condensed interim financial statements have been authorized for issue on August 27, 2019 by the Board of Directors of the Company.

21. General

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



Chief Executive Officer



Director



Chief Financial Officer



**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL STATEMENTS**

for the six months ended June 30, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2018: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2018: 2,100,000,000) Ordinary shares of Rs 10 each		21,000,000	21,000,000
Reserves	4	55,157,860	51,777,612
		76,157,860	72,777,612
NON CURRENT LIABILITIES			
Long term finances	5	5,592,021	8,376,578
Deferred liabilities	6	15,537,971	15,426,838
Long term deposits		56,387	57,183
		21,186,379	23,860,599
CURRENT LIABILITIES			
Trade and other payables		23,073,861	18,069,248
Accrued finance cost		457,795	306,253
Short term finances - secured	7	12,464,890	5,494,802
Unpaid dividend		1,290,909	–
Unclaimed dividend		39,845	68,832
Current maturity of long term finances	5	6,909,261	7,630,942
		44,236,561	31,570,077
CONTINGENCIES & COMMITMENTS			
	8		
		141,580,800	128,208,288

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

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	95,162,303	91,718,705
Intangible assets	10	5,973,982	5,978,747
		101,136,285	97,697,452
Long term investments		160,378	145,802
Long term loan to associated Company		2,999,000	1,999,333
Long term deposits		86,909	254,820
		104,382,572	100,097,407
CURRENT ASSETS			
Stores and spares	11	5,915,489	5,833,825
Stock in trade	12	9,261,423	6,099,971
Trade debts		3,527,298	2,564,524
Short term loans		3,241,723	3,241,723
Advances, deposits, prepayments and other receivables		13,811,135	9,030,134
Short term investments		672,172	623,273
Cash and bank balances		768,988	717,431
		37,198,228	28,110,881
		141,580,800	128,208,288



Chief Executive Officer



Director



Chief Financial Officer

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

For the six months ended June 30, 2019

	Note	Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		(Rupees in thousand)			
Sales	13	18,353,857	12,031,286	34,013,172	23,630,597
Cost of sales	14	(10,230,388)	(5,298,638)	(18,575,995)	(10,313,790)
Gross profit		8,123,469	6,732,648	15,437,177	13,316,807
Distribution cost		(596,198)	(1,010,399)	(1,878,837)	(2,353,660)
Administrative expenses		(700,150)	(438,505)	(1,309,529)	(1,115,642)
		6,827,121	5,283,744	12,248,811	9,847,505
Finance cost	15	(920,791)	(396,066)	(1,582,139)	(810,166)
Other operating expenses		(464,667)	(436,914)	(1,052,947)	(794,294)
		5,441,663	4,450,764	9,613,725	8,243,045
Other income		254,778	121,160	463,350	219,242
Share of profit from Associate		7,730	30,597	12,383	30,597
Profit before tax		5,704,171	4,602,521	10,089,458	8,492,884
Taxation		(1,734,051)	(1,450,402)	(3,032,277)	(2,794,318)
Profit for the period		3,970,120	3,152,119	7,057,181	5,698,566
Earnings per share					
- basic and diluted (Rupees)	17	1.89	1.50	3.36	2.71

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

For the six months ended June 30, 2019

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees in thousand)			
Profit for the period	3,970,120	3,152,119	7,057,181	5,698,566
Other Comprehensive Income:				
Items that may be reclassified subsequently to profit or loss:				
Deficit on remeasurement of investments classified as available for sale	–	(731)	–	(731)
Fair value through other comprehensive income (FVTOCI)	(2,722)	–	(2,722)	–
Related tax thereon	789	219	789	219
	(1,933)	(512)	(1,933)	(512)
Total comprehensive income for the period	3,968,187	3,151,607	7,055,248	5,698,054

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



Chief Executive Officer



Director



Chief Financial Officer

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

For the six months ended June 30, 2019

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurement of investment available for sale	Total
	Share premium	Unappropriated profit				
(Rupees in thousand)						
Balance at December 31, 2017 (Audited)	21,000,000	1,790,000	42,899,054	(42,819)	(1,237)	65,644,998
Profit for the period	-	-	5,698,566	-	-	5,698,566
Other comprehensive income:						
Deficit on remeasurement of investments available for sale - net of tax	-	-	-	-	(512)	(512)
Total comprehensive income	-	-	5,698,566	-	(512)	5,698,054
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	-	-	(4,725,000)	-	-	(4,725,000)
Balance at June 30, 2018 (Un audited)	21,000,000	1,790,000	43,872,620	(42,819)	(1,749)	66,618,052
Balance at December 31, 2018 (Audited)	21,000,000	1,790,000	50,087,609	(95,846)	(4,151)	72,777,612
Profit for the period	-	-	7,057,181	-	-	7,057,181
Other comprehensive income:						
Deficit on remeasurement of investments FVTOCI - net of tax	-	-	-	-	(1,933)	(1,933)
Total comprehensive income	-	-	7,057,181	-	(1,933)	7,055,248
Transactions with owners:						
- Final dividend for the year ended December 31, 2018 @ Rs 1.75 per share	-	-	(3,675,000)	-	-	(3,675,000)
Balance at June 30, 2019 (Un audited)	21,000,000	1,790,000	53,469,790	(95,846)	(6,084)	76,157,860

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF **CASH FLOWS** (UN AUDITED)

For the six months ended June 30, 2019

	Note	June 30, 2019	June 30, 2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	18.	7,411,960	12,907,366
Net increase in long term deposits		(636)	(4,619)
Finance cost paid		(1,430,597)	(941,501)
Taxes paid		(2,239,299)	(1,130,229)
Employee retirement benefits paid		(27,484)	(25,405)
Net cash from operating activities		3,713,944	10,805,612
Cash flows from investing activities			
Additions in property, plant and equipment		(4,826,774)	(2,169,532)
Additions in intangible assets		(8,610)	(627)
Proceeds from disposal of property plant and equipment		460	1,278
Long term investments		–	(1,959)
Short term loan to associated company - net		–	(2,000,000)
Short term investment		(128,770)	–
Proceeds from short term investment		40	40
Profit received on short term loan and saving accounts		305,993	213,683
Dividend received		8,914	–
Net decrease / (increase) in long term loans and deposits		167,752	(82,841)
Net cash used in investing activities		(4,480,995)	(4,039,958)
Cash flows from financing activities			
Repayment of long term finances		(3,738,401)	(3,581,755)
Dividend paid		(2,413,078)	(4,642,719)
Increase in short term finances - net		6,970,088	1,378,396
Net cash from / (used in) financing activities		818,609	(6,846,078)
Net increase / (decrease) in cash and cash equivalents		51,558	(80,424)
Cash and cash equivalents at the beginning of the period		717,430	832,088
Cash and cash equivalents at the end of the period		768,988	751,664

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



Chief Executive Officer



Director



Chief Financial Officer

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

For the six months ended June 30, 2019

1. Legal Status and nature of business

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

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

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

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

2. Basis of preparation

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

3. Accounting policies and estimates

Except of changes required by new accounting standards as described below, the accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these condensed interim 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, 2018.

3.1 New Accounting Standards effective for the period

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

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

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

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

	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)		
4 Reserves		
Capital reserves:		
Share premium	1,790,000	1,790,000
Revenue reserves:		
Unappropriated profit	53,469,790	50,087,609
Post retirement benefit obligation reserve	(95,846)	(95,846)
Deficit on remeasurement of investments - FVTOCI	(6,084)	(4,151)
	55,157,860	51,777,612
5 Long term finances		
Fatima Fertilizer Company Limited		
Rated, Listed and Secured Ijarah Sukuk	5,250,000	6,300,000
Secured loans from Banking companies / Financial institutions	5,018,282	6,730,187
	10,268,282	13,030,187
Less: Current portion	5,420,594	6,142,276
	4,847,688	6,887,911
Fatimafert Limited		
Musharaka arrangement	2,233,000	2,977,333
Less: Current portion	1,488,667	1,488,666
	744,333	1,488,667
	5,592,021	8,376,578

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

For the six months ended June 30, 2019

	Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)			
5.1 Movement of Long term finances			
Opening balance		16,007,520	20,892,334
Disbursements		—	2,156,282
		16,007,520	23,048,616
Repayments		(3,738,401)	(7,396,384)
Exchange loss on translation of foreign currency loan		232,163	355,288
Closing Balance		12,501,282	16,007,520
6. Deferred liabilities			
Deferred taxation		14,717,129	14,666,815
Employee retirement benefits	6.1	820,842	760,023
		15,537,971	15,426,838
6.1 Employee retirement benefits			
Gratuity		562,819	507,580
Accumulating compensated absences		258,023	252,443
		820,842	760,023

7 Short term finances

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

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

The facilities carry mark up ranging from 10.46% to 14.35% (December 31, 2018:5.78% to 11.40%) per annum for Running Finance and Cash Finance and 10.76% to 13.93% (December 31, 2018: 7.28% to 11.71%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

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

Fatima Fertilizer Company Limited

- i Deciding on the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) [CIR(A)] has annulled the order passed under section 122(5A) of Income Tax Ordinance, 2001, by the Additional Commissioner Inland Revenue (ACIR) Multan. ACIR had raised a demand of Rs 1,592 million against the Company by disallowing and adding back various admissible deductions claimed by the Company towards its taxable income for Tax year 2017.

- ii Deciding on the appeal filed by the Company, the CIR(A) has annulled the order passed under section 122(5) of Income Tax Ordinance, 2001, by the Deputy Commissioner Inland Revenue (DCIR) Multan. DCIR had raised a demand of Rs 1,055 million against the Company by declaring the Company's Trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for Tax year 2011.
- iii The Company is in the process of filing an appeal before the CIR(A) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990 (STA) in respect of case selected for audit u/s 25 of Sales Tax Act for the period from July 2014 to June 2015 thereby framing an impugned tax demand of Rs 130 million.

Note	Un audited June 30, 2019	Audited December 31, 2018
(Rupees in thousand)		
8.2 Commitments		
8.2.1 Fatima Fertilizer Company Limited		
(i) Contracts for capital expenditure	835,609	1,844,529
(ii) Contracts for other than capital expenditure	316,425	850,480
(iii) The amount of future payments under non-cancellable operating leases:		
Not later than one year	274,802	273,053
Later than one year but not later than five years	297,390	217,901
	572,192	490,954
8.2.2 Fatimafert Limited		
Letters of credit for purchase of raw materials and spares	106,250	10,657
	106,250	10,657
9 Property, plant and equipment		
Operating fixed assets- tangible	9.1 85,914,185	84,941,860
Capital work in progress	9.2 9,248,118	6,776,845
	95,162,303	91,718,705
9.1 Movement of operating fixed assets - tangible		
Opening book value	84,941,860	83,626,121
Additions during the period	9.1.1 2,354,057	4,892,484
Less: book value of disposals during the period	169	26
	87,295,748	88,518,579
Less: depreciation charged during the period	1,381,563	3,576,719
Closing book value	85,914,185	84,941,860

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

For the six months ended June 30, 2019

Note	Un audited June 30, 2019	Audited December 31, 2018
	(Rupees in thousand)	
9.1.1 Additions during the period		
Building on freehold land	269,429	95,234
Building on leasehold land	23,571	30,445
Plant and machinery	1,767,962	2,970,537
Air craft	-	1,567,285
Catalyst	206,708	-
Furniture and fixtures	1,959	9,456
Office equipment	4,746	12,102
Electric installations and appliances	25,278	57,207
Computers	9,692	112,917
Vehicles	44,712	37,301
	2,354,057	4,892,484
9.2 Capital work in progress		
Civil works	734,351	743,264
Plant and machinery	2,717,032	2,005,499
Capital stores	642,240	731,783
Advances :		
- Freehold land	5,086	187,879
- Civil works	-	2,724
- Plant and machinery	5,149,409	3,105,696
	5,154,495	3,296,299
	9,248,118	6,776,845

9.2.1 Advances for plant and machinery include Rs 4,321 million (December 31, 2018: Rs 2,250 million) paid to Pakarab Fertilizers Limited ('PFL'), an associated company, for purchase of its production and operating plants including Ammonia, Urea, Nitric Acid, Nitro Phosphate, Calcium Ammonium Nitrate and Clean Development Mechanism along with installed catalysts and any other related or ancillary equipment along with costs associated with ECC approved gas arrangement available with PFL. The transaction was approved by the shareholders of the Company through special resolution in Extra Ordinary General Meeting held on November 19, 2018.

	Un audited June 30, 2019	Audited December 31, 2018
	(Rupees in thousand)	
9.2.2 Movement of capital work in progress		
Opening balance	6,776,845	3,078,678
Addition during the period	3,355,725	6,457,762
	10,132,570	9,536,440
Less: Capitalization during the period	883,008	2,753,913
Provision for obsolescence for Capital Stores	1,444	5,682
Closing balance	9,248,118	6,776,845

Un audited
June 30, 2019 Audited
December 31, 2018

(Rupees in thousand)

10 Intangible assets		
Opening book value	5,978,747	5,938,386
Addition during the period	8,610	57,655
	5,987,357	5,996,041
Less: amortization charged during the period	13,375	17,294
Closing book value	5,973,982	5,978,747
11 Stores and spares		
Stores	568,436	491,542
Spares	4,339,030	4,471,046
Catalyst and chemicals	1,185,642	1,041,361
	6,093,108	6,003,949
Less: Provision for obsolete items	177,619	170,124
	5,915,489	5,833,825
12 Stock in trade		
Raw material {including in transit Rs 1,018.962 million (December 31, 2018: Rs 14.831 million)}	1,980,766	1,474,847
Packing material	47,627	4,726
Mid Products		
Ammonia	236,533	195,876
Nitric Acid	5,904	17,740
Others	458	424
	242,895	214,040
Finished goods		
- own manufactured		
Urea	2,140,600	847,362
NP	2,096,581	2,004,330
CAN	279,862	577,154
Certified emission reductions	70,228	86,085
	4,587,271	3,514,931
- purchased for resale		
DAP	2,402,864	891,427
	9,261,423	6,099,971

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

For the six months ended June 30, 2019

Note	Three months ended		Six months ended		
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
	(Rupees in thousand)				
13. Sales					
Local sales	13.1	18,353,857	12,031,286	34,013,172	22,174,589
Export sales		–	–	–	1,456,008
		18,353,857	12,031,286	34,013,172	23,630,597
13.1 Local sales					
Fertilizer Products:					
- own manufactured		17,618,839	12,502,914	33,302,332	23,120,315
- purchased for resale		980,165	313,634	1,173,221	458,333
Mid products		230,242	150,837	448,035	310,518
Subsidy from Government of Pakistan		–	99,143	–	270,655
Certified emission reductions		112,934	–	112,934	–
		18,942,180	13,066,528	35,036,522	24,159,821
Less: Sales Tax		395,193	858,677	742,925	1,658,031
Discounts		193,130	176,565	280,425	327,201
		18,353,857	12,031,286	34,013,172	22,174,589
14. Cost of sales					
Raw material consumed		5,051,347	1,470,168	10,127,415	3,070,265
Packing material consumed		291,670	257,112	579,819	475,391
Salaries, wages and other benefits		794,398	610,435	1,631,292	1,430,720
Fuel and power		1,380,910	744,931	2,901,028	1,449,651
Chemicals and catalyst consumed		191,992	135,606	359,561	261,093
Stores and spares consumed		102,636	212,876	594,247	492,266
Technical assistance		49,695	4,154	69,941	25,176
Repair and maintenance		492,643	465,514	664,194	525,298
Insurance		63,256	48,288	124,679	96,500
Travelling and conveyance		44,731	32,880	71,679	58,364
Rent, rates and taxes		8,660	14,382	24,737	27,379
Vehicle running and maintenance		24,802	17,778	43,265	32,676
Depreciation		659,173	521,275	1,302,284	1,042,160
Others		33,372	36,302	72,909	78,033
Manufacturing cost		9,189,285	4,571,701	18,567,050	9,064,972
Opening stock of mid products		234,630	66,444	214,040	80,380
Closing stock of mid products		(242,894)	(60,847)	(242,894)	(60,847)
Cost of goods manufactured		9,181,021	4,577,298	18,538,196	9,084,505
Opening stock of finished goods		4,710,344	2,052,459	3,514,931	2,451,009
Closing stock of finished goods		(4,587,271)	(1,561,480)	(4,587,271)	(1,561,480)
Cost of sales - own manufactured		9,304,094	5,068,277	17,465,856	9,974,034
Cost of sales - purchased for resale		926,294	230,361	1,110,139	339,756
		10,230,388	5,298,638	18,575,995	10,313,790

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(Rupees in thousand)				
15. Finance cost				
Markup on long term finances	420,867	356,506	840,911	730,186
Markup on short term finances	330,959	24,594	541,080	45,865
Bank charges and others	168,965	14,966	200,148	34,115
	920,791	396,066	1,582,139	810,166

16 Transactions with related parties

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

	Six months Ended	
	June 30, 2019	June 30, 2018
(Rupees in thousand)		
Relationship with the company		
Associated companies		
Purchase of raw / packing material	617,038	597,354
Short term loan	–	2,000,000
Miscellaneous expenses	22,468	92,320
Purchase of Aircraft and related accessories	–	1,599,997
Sale of product	38,211	–
Store and Spares	314	3,650
Other income	389,440	191,315
Purchase of current assets	3,299,385	–
Fee for services	474,555	392,634
Directors and key management personnel		
Remuneration including benefits and perquisites	141,193	124,099
Retirement benefit plans		
Retirement benefit expense	134,939	98,605

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

For the six months ended June 30, 2019

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(Rupees in thousand)				
17. Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	3,970,120	3,152,119	7,057,181	5,698,566
(Number of shares)				
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	1.89	1.50	3.36	2.71

	Six months Ended	
	June 30, 2019	June 30, 2018
(Rupees in thousand)		
18. Cash generated from operations		
Profit before tax	10,089,458	8,492,884
Adjustments for:		
Depreciation on property, plant and equipment	1,381,561	1,096,967
Amortization of intangible assets	13,374	6,824
Finance cost	1,582,139	810,166
Provision for staff retirement benefits	88,302	59,267
Provision for slow moving stores, spares and loose tools	8,939	12,350
Exchange loss on translation of foreign currency loan	232,163	150,940
Profit on short term loan to related parties	(389,440)	(191,315)
Loss on remeasurement of investment - through profit or loss	77,109	
Share of profit from Associates	(12,383)	(30,597)
Profit on saving accounts	(19,987)	(14,448)
Dividend Income	(8,914)	–
Gain on disposal of property plant and equipment	(291)	(1,253)
	2,952,572	1,898,901
Operating cash flows before working capital changes	13,042,030	10,391,785
Effect on cash flow due to working capital changes: (Increase) / decrease in current assets:		
Stores and spares	(89,159)	(272,952)
Stock in trade	(3,161,452)	(187,629)
Trade debts	(962,774)	(328,024)
Advances, deposits, prepayments and other receivables	(5,607,918)	(68,874)
Increase in creditors, accrued and other liabilities	4,191,233	3,373,060
	(5,630,070)	2,515,581
	7,411,960	12,907,366

19. Financial instruments

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

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

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

	June 30, 2019 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	481,007	–	–	481,007
Investment - FVTOCI	191,165	–	–	191,165
	672,172	–	–	672,172
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets - at fair value				
Investment - through profit or loss	429,346	–	–	429,346
Investment - available for sale	193,927	–	–	193,927
	623,273	–	–	623,273

20. Date of Authorization of Issue

These condensed interim consolidated financial statements have been authorized for issue on August 27, 2019 by the Board of Directors of the Holding Company.

21. General

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



Chief Executive Officer



Director



Chief Financial Officer

www.jamapunji.pk













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