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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 unaudited condensed interim financial statements of the Company along with unaudited condensed consolidated interim financial statements and brief overview on operational & financial performance for the nine months ended September 30, 2022.

Operational and Financial Performance

During the third quarter of the year, the agriculture value chain was significantly affected by high rains and flash floods which inflicted devastation across the country. Monsoon rains had struck the country for several weeks and floodwaters swamped significant area of agriculture land with vast strips of farmland remain waterlogged. Such challenges have impacted our farmers community very badly in some parts of the country particularly in Sindh. This damage combined with inflationary elements and high prices led to a decline in Phosphate Fertilizer offtake by farmers during the quarter. Nitrogenous Fertilizers market and prices remained stable in third quarter of the year, reflecting a balance in demand & supply and overall lower prices than Phosphatic Fertilizers.

Despite all such challenges, the Company has been able to deliver volumetric sales mostly in line with the expectations, whereas incremental revenues have been realized because of change in prices which were primarily linked to higher input costs. Total production volumes increased by 15% mainly due to production from Sheikhpura plant which was partially non-operational due to unavailability of gas in the same period last year.

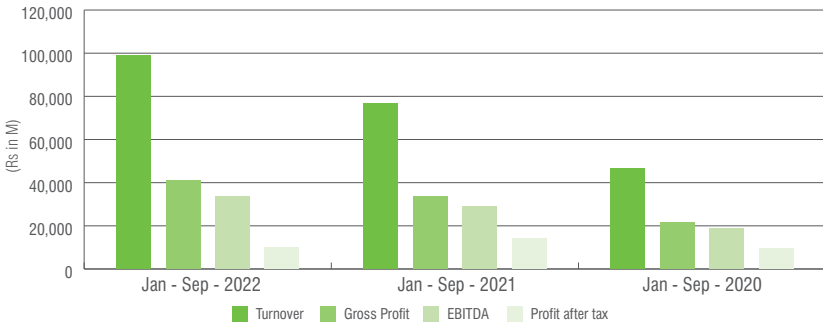
Products	Volume ('000' M. Tons)			
	Production*/ Purchase		Sales*	
	Jan to Sep 2022	Jan to Sep 2021	Jan to Sep 2022	Jan to Sep 2021
NP	645	657	509	611
CAN	646	597	625	673
Urea	812	573	728	591
Trading stock incl. DAP	7	10	9	44
Total	2,110	1,837	1,871	1,919

*Includes toll manufacturing operations

The Company posted total Revenue of Rs 98,920 million representing 29% growth as compared to same period last year. 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, significantly 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 higher interest rates in comparison with last year.

Due to above factors, gross profit of the Company for the period under review resulted in Rs 41,178 million as compared to Rs 33,508 million in the same period last year. Selling, 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 25,994 million during first nine months of the year as opposed to Rs 22,491 million in the same period last year. Imposition of Super Tax which is effective from last year has resulted in effective tax rate of 62%, thus restricting bottom line growth for the period under review in comparison with corresponding period last year, consequently net profit for the nine months of the year has been registered at Rs 9,899 million representing 30% lower than the same period last year. Hence, Company has recorded EPS of Rs 4.71 per share as compared to EPS of Rs 6.71 per share in the same period last year.

Financial Performance



All plant sites ensured reliable and efficient operations and continued to build upon their reputation as one of the safest working sites across the globe for their stakeholders. 100 Safe Million Man-Hours have been recorded which is phenomenal and example of its own kind. Total Recordable Incident Rate (TRIR) remained zero which demonstrates Company’s safe work practices and highest focus towards safety without any compromise. In addition, the Company has achieved savings of ~ Rs 600 million through local fabrication of spares considering increasing inflation and curb on foreign procurements.

The Company has also secured multiple awards and recognitions from local and international organizations on Health, Safety & Environment excellence including IFA Green Leaf & Alliance for Water Stewardship Certification for its Sadiqabad site, Perfect Record Award by NSC for its Multan site and RoSPA Gold Award for its Sheikhpura site. The Company CSR initiatives continued with special focus on extended help to the flood affected people. Other initiatives included sustained operations of water filtration plants, vocational institutes, mobile dispensaries, and schools which remained fully functional with the commitment to uplift the surrounding communities.

Future Outlook

The demand of Nitrogenous Fertilizers is expected to remain strong whereas prices are expected to remain stable. Due to upcoming Rabi season, offtake of Phosphatic Fertilizers is expected to improve significantly. Considering high prices of Phosphatic Fertilizers, high inflation, negative impacts on farmers due to flood and severe impacts of possible lower use of Phosphatic Fertilizers on overall yield of crops, Government should immediately announce suitable 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, last quarter of the year 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 farmers through its 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. 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.

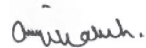
Acknowledgements

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
October 26, 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2022

		Un audited September 30, 2022	Audited December 31, 2021
	Note	(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	81,738,531	79,263,440
		102,738,531	100,263,440
NON CURRENT LIABILITIES			
Long term finances - secured	5	9,031,711	5,172,276
Lease liabilities		1,166,955	1,437,025
Deferred liabilities	6	25,489,670	23,522,297
Long term deposits		337,060	175,104
		36,025,396	30,306,702
CURRENT LIABILITIES			
Trade and other payables		54,425,124	38,469,330
Accrued finance cost		393,028	307,184
Income tax payable		12,176,854	4,968,065
Short term finances - secured	7	5,456,439	6,465,772
Unpaid dividend		-	1,738,864
Unclaimed dividend		51,808	44,951
Current portion of:			
- Long term finances	5	1,526,836	1,892,328
- Lease liabilities		636,928	375,273
- Deferred government grant		15,422	61,440
		74,682,439	54,323,207
CONTINGENCIES & COMMITMENTS			
	8		
		213,446,366	184,893,349

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

		Un audited September 30, 2022	Audited December 31, 2021
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	108,261,347	105,422,464
Intangible assets	10	1,859,883	3,608,877
Investment property	11	774,660	775,339
		110,895,890	109,806,680
Long term investments		1,840,482	795,511
Long term loan to an associated company		2,999,000	1,999,333
Long term advances and deposits		1,211,803	518,424
		6,051,285	3,313,268
		116,947,175	113,119,948
CURRENT ASSETS			
Stores and spares	12	15,707,387	11,565,833
Stock in trade	13	30,992,976	18,331,781
Trade debts	14	18,312,617	9,654,308
Short term loans to associated companies		6,999,723	6,999,723
Advances, deposits, prepayments and other receivables	15	17,811,441	15,635,845
Short term investments		4,391,785	2,242,710
Cash and bank balances		2,283,262	7,343,201
		96,499,191	71,773,401
		213,446,366	184,893,349

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN AUDITED)

For the nine months ended September 30, 2022

	Note	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Rupees in thousand)			
Sales	16	36,636,688	29,462,025	98,920,274	76,770,002
Cost of sales	17	(23,762,147)	(16,881,377)	(57,742,681)	(43,262,406)
Gross profit		12,874,541	12,580,648	41,177,593	33,507,596
Selling and distribution expenses		(1,924,815)	(1,618,976)	(5,251,560)	(4,233,276)
Administrative expenses		(1,820,079)	(965,595)	(4,304,423)	(2,785,302)
		9,129,647	9,996,077	31,621,610	26,489,018
Finance cost	18	(740,033)	(564,971)	(1,914,601)	(1,775,580)
Other operating expenses		(1,671,103)	(1,650,266)	(4,849,546)	(2,834,905)
		6,718,511	7,780,840	24,857,463	21,878,533
Other income		556,418	290,021	1,430,940	777,280
Share of profit from associates		(22,523)	34,434	2,665	52,191
Other gains / (losses):					
- Unwinding of provision for GIDC		(65,563)	(89,138)	(214,793)	(284,100)
- (Loss allowance) / reversal of loss allowance on subsidy receivable from GoP		(27,431)	22,516	(82,293)	67,546
		(92,994)	(66,622)	(297,086)	(216,554)
Profit before tax		7,159,412	8,038,673	25,993,982	22,491,450
Taxation	19	(3,106,530)	(3,261,940)	(16,095,163)	(8,399,925)
Profit for the period		4,052,882	4,776,733	9,898,819	14,091,525
Earnings per share - basic and diluted (Rupees)	20	1.93	2.27	4.71	6.71

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 nine months ended September 30, 2022

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Rupees in thousand)			
Profit for the period	4,052,882	4,776,733	9,898,819	14,091,525
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of post retirement benefits obligation	–	–	(100,242)	–
Related tax thereon	–	–	33,080	–
Share of other comprehensive loss from associates	–	–	(7,725)	–
Related tax thereon	–	–	1,159	–
Other comprehensive income - net of tax	–	–	(73,728)	–
Total comprehensive income for the period	4,052,882	4,776,733	9,825,091	14,091,525

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 nine months ended September 30, 2022

	Ordinary share capital	Capital reserve	Revenue reserve	Post retirement benefit obligation reserve	Total
	Share premium	Unappropriated profit			
(Rupees in thousand)					
Balance as at December 31, 2020 (Audited)	21,000,000	1,790,000	64,374,342	(61,686)	87,102,656
Profit for the period	-	-	14,091,525	-	14,091,525
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	14,091,525	-	14,091,525
Transaction with owners:					
- Final dividend for the year ended December 31, 2020 @ Rs 2.50 per share	-	-	(5,250,000)	-	(5,250,000)
Balance as at September 30, 2021 (Un audited)	21,000,000	1,790,000	73,215,867	(61,686)	95,944,181
Balance as at December 31, 2021 (Audited)	21,000,000	1,790,000	77,593,523	(120,083)	100,263,440
Profit for the period	-	-	9,898,819	-	9,898,819
Other comprehensive income	-	-	(6,566)	(67,162)	(73,728)
Total comprehensive income	-	-	9,892,253	(67,162)	9,825,091
Transaction with owners:					
- Final dividend for the year ended December 31, 2021 @ Rs 3.50 per share	-	-	(7,350,000)	-	(7,350,000)
Balance as at September 30, 2022 (Un audited)	21,000,000	1,790,000	80,135,776	(187,245)	102,738,531

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 nine months ended September 30, 2022

	Note	Nine months ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	22	20,650,393	22,820,560
Net increase in long term deposits		161,956	9,883
Finance cost paid		(1,728,579)	(1,817,997)
Taxes paid		(6,189,774)	(2,286,040)
Employee retirement benefits paid		(79,842)	(240,058)
Net cash generated from operating activities		12,814,154	18,486,348
Cash flows from investing activities			
Additions in property, plant and equipment		(6,840,614)	(3,646,224)
Additions in intangible assets		(53,596)	(13,949)
Proceeds from disposal of property, plant and equipment		18,142	1,668
Short term loan given		-	(3,758,000)
Long term investments made		(1,050,031)	(600,200)
Short term investments made		(2,988,685)	(557,924)
Proceeds from short term investments		195,644	805,400
Profit received on loans and saving accounts		122,129	1,467,642
Dividend income received		168,305	160,305
Net increase in long term advances and deposits		(693,379)	(4,689)
Net cash used in investing activities		(11,122,085)	(6,145,971)
Cash flows from financing activities			
Proceeds from long term finances		5,235,655	3,543,729
Repayment of long term finances		(1,772,768)	(4,429,525)
Repayment of lease liabilities		(123,555)	(636,760)
Dividend paid		(9,082,007)	(3,506,346)
Net decrease in short term finances		(1,577,709)	(6,076,826)
Net cash used in financing activities		(7,320,384)	(11,105,728)
Net (decrease) / increase in cash and cash equivalents		(5,628,315)	1,234,649
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		14,421	(2,303,573)
Cash and cash equivalents comprises of following:			
Cash and bank balances		2,283,262	373,639
Running finance		(2,268,841)	(2,677,212)
Cash and cash equivalents at the end of the period		14,421	(2,303,573)

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 nine months ended September 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 the 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 condensed interim financial statements are the separate financial statements of the Company in which investment in subsidiary companies is accounted for on the basis of actual cost less impairment, if any, and investment in associates is accounted for under equity method. Consolidated 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 audited 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 un audited condensed interim financial statements for the nine months ended September 30, 2021.

2.3 These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 Significant accounting policies and estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of 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	Audited
		September 30, 2022	December 31, 2021
		(Rupees in thousand)	
4 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		80,135,776	77,593,523
Post retirement benefit obligation reserve		(187,245)	(120,083)
		81,738,531	79,263,440
5 Long term finances - secured			
From banking companies / financial institutions	5.1	10,558,547	7,064,604
Less: Current portion		1,526,836	1,892,328
		9,031,711	5,172,276
5.1 Movement of long term finances			
Opening balance		7,064,604	8,917,289
Disbursements during the period / year		5,235,655	3,920,362
Repayments during the period / year		(1,772,768)	(5,857,386)
Accreditation of loan under SBP Islamic Refinance Scheme		31,056	87,651
Exchange gain on translation of foreign currency loan		–	(3,312)
Closing balance		10,558,547	7,064,604
6 Deferred liabilities			
Deferred taxation		22,936,413	20,274,052
Employee retirement benefits	6.1	1,164,305	955,419
Provision for Gas Infrastructure Development Cess (GIDC)		1,388,952	2,292,826
		25,489,670	23,522,297
6.1 Employee retirement benefits			
Gratuity		1,092,989	877,217
Accumulating compensated absences		71,316	78,202
		1,164,305	955,419

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

For the nine months ended September 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 8.87% to 17.05% (December 31, 2021: 7.55% to 11.09%) per annum for Running Finance and Cash Finance and 8.30% to 17.07% (December 31, 2021: 7.61% to 10.47%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

As at September 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 tax department has also filed an appeal before the ATIR against the order of CIR (A) which is pending for adjudication as at reporting date. 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.
- (iv) The Company has filed an Intra Court Appeal at the Honorable Lahore High Court against dismissal of the petition challenging levy of Alternative Corporate Tax (ACT). ACT was imposed at the rate of 17% of 'accounting profit before tax' through Finance Act 2014, by inserting section 113C in the Income Tax Ordinance, 2001. The Company has challenged the levy of ACT for the tax years 2014 and 2015, on the grounds that it deprived the Company of certain rights already accrued to it.

However, the assessing officer through an order dated May 17, 2022, passed u/s 122(5A) of the Income Tax Ordinance 2001, raised an alleged demand of Rs 2,031 million on account of ACT matter pertaining to the tax year 2015. The Company has filed an appeal before the CIR (A) against such adverse order.

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.

- (v) The Company has issued corporate guarantees in favor of Pakarab Fertilizers Limited (an associated undertaking) amounting to Rs 5,108 million (December 31, 2021: Rs 5,271 million). The Company has obtained approval from the shareholders amounting to Rs 4,000 million. In light of the legal advice, the management is of the opinion that as the ultimate beneficiary of remaining amount of corporate guarantees is Fatima Fertilizer Company Limited, therefore it does not require shareholders' approval. However, the Company still intends to secure shareholders' approval for the remaining amount before the end of the year.

	Note	Un audited	Audited	
		September 30, 2022	December 31, 2021	
		(Rupees in thousand)		
8.2 Commitments in respect of:				
(i)	Contracts for capital expenditure	1,487,301	3,880,314	
(ii)	Contracts other than capital expenditure	555,345	3,605,830	
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:			
	- Not later than one year	744,080	231,860	
	- Later than one year but not later than five years	1,102,085	144,174	
		1,846,165	376,034	
9 Property, plant and equipment				
	Operating fixed assets	9.1	99,075,661	99,741,174
	Capital work in progress	9.2	9,185,686	5,681,290
			108,261,347	105,422,464
9.1 Movement of operating fixed assets				
	Opening book value		99,741,174	100,724,565
	Additions during the period / year	9.1.1	3,336,218	4,821,258
			103,077,392	105,545,823
	Less: Depreciation charged during the period / year		3,977,153	5,245,720
	Book value of disposals during the period / year		24,578	558,929
	Closing book value		99,075,661	99,741,174
9.1.1 Additions during the period / year				
	Freehold land		767,009	65,870
	Building on freehold land		4,541	347,620
	Plant and machinery		1,519,748	3,725,907
	Catalysts		-	99,457
	Furniture and fixtures		40,095	16,076
	Office equipment		29,111	20,612
	Electric installations and appliances		379,487	203,040
	Computers		167,851	124,656
	Vehicles		276,062	218,020
	Right of use assets		152,314	-
			3,336,218	4,821,258

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

For the nine months ended September 30, 2022

9.1.2 Operating fixed assets include right of use assets amounting to Rs 1,663.82 million (December 31, 2021: Rs 1,699.26 million).

	Un audited September 30, 2022	Audited December 31, 2021
(Rupees in thousand)		
9.2 Capital work in progress		
Civil works	343,174	175,861
Plant and machinery	2,363,080	1,882,284
Capital stores	4,002,142	1,799,228
Advances:		
- Freehold land	525,830	756,240
- Plant and machinery	1,951,460	1,067,677
	2,477,290	1,823,917
	9,185,686	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	5,999,801	4,751,907
	11,694,560	8,965,075
Less: Capitalization during the period / year	2,488,311	3,270,316
	9,206,249	5,694,759
Less: Provision for slow moving capital stores	20,563	13,469
Closing balance	9,185,686	5,681,290
10 Intangible assets		
Opening book value	3,608,877	5,991,019
Additions during the period / year	53,596	19,741
	3,662,473	6,010,760
Less: Amortization charged during the period / year	32,590	41,883
Impairment charged during the period / year	1,770,000	2,360,000
Closing book value	1,859,883	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	679	906
Closing book value	774,660	775,339
12 Stores and spares		
Stores	798,869	495,097
Spares	9,648,715	7,498,447
Catalyst and chemicals	5,403,826	3,672,827
	15,851,410	11,666,371
Less: Provision for slow moving stores and spares	144,023	100,538
	15,707,387	11,565,833

	Un audited September 30, 2022	Audited December 31, 2021
	(Rupees in thousand)	
13 Stock in trade		
Raw materials {including in transit Rs 5,652.55 million (December 31, 2021: Rs 3,871.03 million)}	9,005,314	10,558,828
Packing materials	53,165	28,981
Mid products		
Ammonia	178,830	95,189
Nitric acid	16,900	22,425
Others	3,671	4,950
	199,401	122,564
Finished goods		
Own manufactured		
Urea	3,176,490	247,278
NP	15,863,282	5,185,720
CAN	338,918	29,333
Certified emission reductions	32,556	51,981
	19,411,246	5,514,312
Purchased for resale	2,323,850	2,107,096
	30,992,976	18,331,781

14 Trade debts

This includes Rs 10,169.41 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		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Rupees in thousand)			
16 Sales					
Revenue from contracts with customers					
Local sales	16.1	36,636,688	29,462,025	98,673,632	76,770,002
Certified emission reductions		-	-	246,642	-
		36,636,688	29,462,025	98,920,274	76,770,002

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

For the nine months ended September 30, 2022

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Note	(Rupees in thousand)			
16.1 Local sales				
Own manufactured	24,549,703	21,182,927	67,015,545	61,872,527
Toll manufacturing	11,794,724	7,853,711	31,980,171	14,258,939
Mid products	352,192	301,134	1,040,076	896,775
Purchased for resale	267,925	1,249,975	1,594,380	2,621,092
	36,964,544	30,587,747	101,630,172	79,649,333
Less: Sales tax	55,774	664,822	1,443,652	1,706,303
Discounts	272,082	460,900	1,512,888	1,173,028
	36,636,688	29,462,025	98,673,632	76,770,002
17 Cost of sales				
Raw material consumed	19,460,863	6,563,963	48,734,076	20,329,073
Packing material consumed	937,962	560,371	2,454,756	1,792,019
Salaries, wages and other benefits	1,963,461	1,520,554	5,855,287	4,375,600
Fuel and power	2,527,368	1,529,076	7,109,339	4,884,705
Chemicals and catalyst consumed	755,316	711,395	2,230,016	1,724,796
Stores and spares consumed	985,719	604,134	2,794,584	1,867,414
Technical assistance	110,622	23,259	307,948	244,484
Repair and maintenance	885,346	581,090	3,440,304	2,311,545
Insurance	274,453	214,531	798,578	627,934
Travelling and conveyance	76,182	35,539	183,545	101,430
Rent, rates and taxes	124,854	86,400	402,738	219,276
Vehicle running and maintenance	69,237	37,229	173,080	95,665
Depreciation	1,263,197	2,275,556	3,766,783	3,756,792
Others	78,776	22,304	234,670	66,639
Subsidy on RLNG released by GoP to SNGPL	17.1	–	(7,892,654)	(1,532,564)
Manufacturing cost	29,513,356	14,765,401	70,593,050	40,864,808
Opening stock of mid products	185,202	65,411	122,564	311,053
Closing stock of mid products	(199,401)	(103,768)	(199,401)	(103,768)
Cost of goods manufactured	29,499,157	14,727,044	70,516,213	41,072,093
Opening stock of finished goods	13,484,256	9,508,714	5,514,312	8,373,200
Closing stock of finished goods	(19,411,246)	(8,301,286)	(19,411,246)	(8,301,286)
Cost of sales - own manufactured	23,572,167	15,934,472	56,619,279	41,144,007
Cost of sales - purchased for resale	189,980	946,905	1,123,402	2,118,399
	23,762,147	16,881,377	57,742,681	43,262,406

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		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
(Rupees in thousand)				
18 Finance cost				
Markup on long term finances	352,489	143,413	746,373	535,664
Markup on short term finances	193,368	236,971	468,191	710,557
Interest on lease liabilities	38,548	41,033	115,140	123,282
Bank charges and others	155,628	143,554	584,897	406,077
	740,033	564,971	1,914,601	1,775,580

19 This includes Super Tax amounting to Rs 3,494.88 million relating to year 2021.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
(Rupees in thousand)				
20 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	4,052,882	4,776,733	9,898,819	14,091,525
(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	1.93	2.27	4.71	6.71

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

For the nine months ended September 30, 2022

21 Transactions with related parties

The related parties comprise of 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:

		Nine months ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
Relationship with the Company	Nature of transaction		
Subsidiary company	Acquisition of shares	300,030	–
	Long term advance given	191,651	–
Associated companies	Purchase of packing material	2,304,610	1,881,292
	Purchase of raw material	1,438,446	2,232,550
	Purchase of catalysts	–	70,648
	Purchase of stores and spares	755,615	390,760
	Sale of mid products	118,479	93,107
	Lease rental and license fee	120,120	109,200
	Payment against sales collection	38,282,131	16,432,984
	Toll manufacturing revenue	31,980,171	14,258,939
	Fee for services	2,236,430	2,376,049
	Short term loan given	–	3,758,000
	Markup income	1,079,444	578,687
	Markup expense	–	124,588
	Miscellaneous expenses	16,685	42,332
Directors and key management personnel	Remuneration including benefits and perquisites	513,706	295,119
Retirement benefit plans	Retirement benefit expense	320,318	169,449

Nine months ended

September 30, 2022 September 30, 2021

(Rupees in thousand)

22 Cash generated from operations

Profit before tax	25,993,982	22,491,450
Adjustments for:		
Depreciation on property, plant and equipment	3,977,153	3,938,890
Depreciation on investment property	679	679
Amortization of intangible assets	32,590	31,273
Impairment of intangible asset	1,770,000	885,000
Finance cost	1,914,601	1,775,580
Provision for staff retirement benefits	188,486	79,432
Provision for slow moving stores and spares	50,578	23,116
Exchange gain on translation of foreign currency loan	–	(3,312)
Profit on loans to associated companies	(1,079,444)	(579,057)
Loss on remeasurement of investment - FVTPL	643,966	111,150
Loss allowance / (reversal of loss allowance) on subsidy receivable from GoP	82,293	(67,546)
Unwinding of provision for GIDC	214,793	284,100
Dividend income	(168,305)	(160,305)
Share of profit from associates	(2,665)	(52,191)
Profit on saving accounts	(179,322)	(11,921)
Loss / (gain) on disposal of property, plant and equipment	6,436	(1,492)
	7,451,839	6,253,396
Operating cash flows before working capital changes	33,445,821	28,744,846
Effect on cash flow due to working capital changes:		
Net increase in current assets:		
Stores and spares	(4,192,132)	(2,352,003)
Stock in trade	(12,661,195)	(901,593)
Trade debts	(8,658,309)	(9,089,957)
Advances, deposits, prepayments and other receivables	(2,120,919)	(3,485,087)
Net increase in creditors, accrued and other liabilities	14,837,127	9,904,354
	(12,795,428)	(5,924,286)
	20,650,393	22,820,560

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 nine months ended September 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:

	September 30, 2022 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	4,391,785	–	–	4,391,785
Investment - FVTOCI	–	–	–	–
Total assets at fair value	4,391,785	–	–	4,391,785

	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 October 26, 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 September 30, 2022

		Un audited September 30, 2022	Audited December 31, 2021
	Note	(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	81,745,271	79,263,264
		102,745,271	100,263,264
NON CURRENT LIABILITIES			
Long term finances - secured	5	9,031,711	5,172,276
Lease liabilities		1,176,780	1,437,025
Deferred liabilities	6	25,489,670	23,522,297
Long term deposits		337,060	175,104
		36,035,221	30,306,702
CURRENT LIABILITIES			
Trade and other payables		54,443,698	38,469,418
Accrued finance cost		393,028	307,184
Income tax payable		12,171,449	4,968,065
Short term finances - secured	7	5,456,439	6,465,772
Unpaid dividend		-	1,738,864
Unclaimed dividend		51,808	44,951
Current portion of:			
- Long term finances	5	1,526,836	1,892,328
- Lease liabilities		639,529	375,273
- Deferred government grant		15,422	61,440
		74,698,209	54,323,295
CONTINGENCIES & COMMITMENTS			
	8		
		213,478,701	184,893,261

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

		Un audited September 30, 2022	Audited December 31, 2021
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	108,765,938	105,422,464
Intangible assets	10	1,859,883	3,608,877
Investment property	11	774,660	775,339
		111,400,481	109,806,680
Long term investments		1,540,252	795,311
Long term loan to an associated company		2,999,000	1,999,333
Long term advances and deposits		1,025,152	518,424
		5,564,404	3,313,068
		116,964,885	113,119,748
CURRENT ASSETS			
Stores and spares	12	15,707,387	11,565,833
Stock in trade	13	30,992,976	18,331,781
Trade debts	14	18,312,617	9,654,308
Short term loans to associated companies		6,999,723	6,999,723
Advances, deposits, prepayments and other receivables	15	17,811,392	15,635,757
Short term investments		4,403,885	2,242,710
Cash and bank balances		2,285,836	7,343,401
		96,513,816	71,773,513
		213,478,701	184,893,261

Chief Executive Officer

Director

Chief Financial Officer

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

For the nine months ended September 30, 2022

	Note	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Rupees in thousand)			
Sales	16	36,636,688	29,462,025	98,920,274	76,770,002
Cost of sales	17	(23,762,147)	(16,881,377)	(57,742,681)	(43,262,406)
Gross profit		12,874,541	12,580,648	41,177,593	33,507,596
Selling and distribution expenses		(1,924,815)	(1,618,976)	(5,251,560)	(4,233,276)
Administrative expenses		(1,825,881)	(965,595)	(4,310,225)	(2,785,390)
		9,123,845	9,996,077	31,615,808	26,488,930
Finance cost	18	(740,594)	(564,971)	(1,915,162)	(1,775,580)
Other operating expenses		(1,671,103)	(1,650,266)	(4,849,546)	(2,834,905)
		6,712,148	7,780,840	24,851,100	21,878,445
Other income		568,586	290,021	1,443,108	777,280
Share of profit from associates		(22,523)	34,434	2,665	52,191
Other gains / (losses):					
- Unwinding of provision for GIDC		(65,563)	(89,138)	(214,793)	(284,100)
- (Loss allowance) / reversal of loss allowance on subsidy receivable from GoP		(27,431)	22,516	(82,293)	67,546
		(92,994)	(66,622)	(297,086)	(216,554)
Profit before tax		7,165,217	8,038,673	25,999,787	22,491,362
Taxation	19	(3,105,419)	(3,261,940)	(16,094,052)	(8,399,925)
Profit for the period		4,059,798	4,776,733	9,905,735	14,091,437
Earnings per share - basic and diluted (Rupees)	20	1.93	2.27	4.72	6.71

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 nine months ended September 30, 2022

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Rupees in thousand)			
Profit for the period	4,059,798	4,776,733	9,905,735	14,091,437
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of post retirement benefits obligation	–	–	(100,242)	–
Related tax thereon	–	–	33,080	–
Share of other comprehensive loss from associates	–	–	(7,725)	–
Related tax thereon	–	–	1,159	–
Other comprehensive income - net of tax	–	–	(73,728)	–
Total comprehensive income for the period	4,059,798	4,776,733	9,832,007	14,091,437

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 nine months ended September 30, 2022

	Ordinary share capital	Capital reserve	Revenue reserve	Post retirement benefit obligation reserve	Total
	Share premium	Unappropriated profit			
(Rupees in thousand)					
Balance as at December 31, 2020 (Audited)	21,000,000	1,790,000	64,374,342	(61,686)	87,102,656
Profit for the period	-	-	14,091,437	-	14,091,437
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	14,091,437	-	14,091,437
Transaction with owners:					
- Final dividend for the year ended December 31, 2020 @ Rs 2.50 per share	-	-	(5,250,000)	-	(5,250,000)
Balance as at September 30, 2021 (Un audited)	21,000,000	1,790,000	73,215,779	(61,686)	95,944,093
Balance as at December 31, 2021 (Audited)	21,000,000	1,790,000	77,593,347	(120,083)	100,263,264
Profit for the period	-	-	9,905,735	-	9,905,735
Other comprehensive income	-	-	(6,566)	(67,162)	(73,728)
Total comprehensive income	-	-	9,899,169	(67,162)	9,832,007
Transaction with owners:					
- Final dividend for the year ended December 31, 2021 @ Rs 3.50 per share	-	-	(7,350,000)	-	(7,350,000)
Balance as at September 30, 2022 (Un audited)	21,000,000	1,790,000	80,142,516	(187,245)	102,745,271

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 nine months ended September 30, 2022

	Note	Nine months ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	22	20,674,774	22,820,560
Net increase in long term deposits		161,956	9,883
Finance cost paid		(1,728,579)	(1,817,997)
Taxes paid		(6,194,068)	(2,286,040)
Employee retirement benefits paid		(79,842)	(240,058)
Net cash generated from operating activities		12,834,241	18,486,348
Cash flows from investing activities			
Additions in property, plant and equipment		(7,345,205)	(3,646,224)
Additions in intangible assets		(53,596)	(13,949)
Proceeds from disposal of property, plant and equipment		18,142	1,668
Short term loan given		-	(3,758,000)
Long term investments made		(750,001)	(600,000)
Short term investments made		(2,988,685)	(557,924)
Proceeds from short term investments		183,544	805,400
Profit received on loans and saving accounts		122,561	1,467,642
Dividend income received		168,305	160,305
Net increase in long term advances and deposits		(506,728)	(4,689)
Net cash used in investing activities		(11,151,663)	(6,145,771)
Cash flows from financing activities			
Proceeds from long term finances		5,235,655	3,543,729
Repayment of long term finances		(1,772,768)	(4,429,525)
Repayment of lease liabilities		(111,690)	(636,760)
Dividend paid		(9,082,007)	(3,506,346)
Net decrease in short term finances		(1,577,709)	(6,077,026)
Net cash used in financing activities		(7,308,519)	(11,105,928)
Net (decrease) / increase in cash and cash equivalents		(5,625,941)	1,234,649
Cash and cash equivalents at the beginning of the period		5,642,936	(3,538,022)
Cash and cash equivalents at the end of the period		16,995	(2,303,373)
Cash and cash equivalents comprises of following:			
Cash and bank balances		2,285,836	373,839
Running finance		(2,268,841)	(2,677,212)
Cash and cash equivalents at the end of the period		16,995	(2,303,373)

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 nine months ended September 30, 2022

1 Legal status and nature of business

1.1 Fatima Fertilizer Company Limited (the Holding Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and 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.

1.2 The principal activity of the Group is manufacturing, producing, buying, selling, importing and exporting fertilizers, chemicals and cement. The registered office of the Holding Company, Fatimafert Limited and Fatima Cement Limited is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt, whereas the registered office of Pan-Africa Fertilizers Limited is situated at Westlands District, Nairobi, Kenya. The manufacturing facilities of the Holding Company are located at Mukhtargarh - Sadiqabad, Khanewal Road - Multan and 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 consolidated financial statements and should be read in conjunction with the annual audited 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 consolidated 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 nine months ended September 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 consolidated financial statements of the Group for the year ended December 31, 2021.

	Note	Un audited	Audited
		September 30, 2022	December 31, 2021
		(Rupees in thousand)	
4 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		80,142,516	77,593,347
Post retirement benefit obligation reserve		(187,245)	(120,083)
		81,745,271	79,263,264
5 Long term finances - secured			
From banking companies / financial institutions	5.1	10,558,547	7,064,604
Less: Current portion		1,526,836	1,892,328
		9,031,711	5,172,276
5.1 Movement of long term finances			
Opening balance		7,064,604	8,917,289
Disbursements during the period / year		5,235,655	3,920,362
Repayments during the period / year		(1,772,768)	(5,857,386)
Accreditation of loan under SBP Islamic Refinance Scheme		31,056	87,651
Exchange gain on translation of foreign currency loan		–	(3,312)
Closing balance		10,558,547	7,064,604
6 Deferred liabilities			
Deferred taxation		22,936,413	20,274,052
Employee retirement benefits	6.1	1,164,305	955,419
Provision for Gas Infrastructure Development Cess (GIDC)		1,388,952	2,292,826
		25,489,670	23,522,297
6.1 Employee retirement benefits			
Gratuity		1,092,989	877,217
Accumulating compensated absences		71,316	78,202
		1,164,305	955,419

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

For the nine months ended September 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 8.87% to 17.05% (December 31, 2021: 7.55% to 11.09%) per annum for Running Finance and Cash Finance and 8.30% to 17.07% (December 31, 2021: 7.61% to 10.47%) per annum for Finance against Imported Merchandise.

8 Contingencies and commitments

8.1 Contingencies

As at September 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 tax department has also filed an appeal before the ATIR against the order of CIR (A) which is pending for adjudication as at reporting date. 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.
- (iv) The Holding Company has filed an Intra Court Appeal at the Honorable Lahore High Court against dismissal of the petition challenging levy of Alternative Corporate Tax (ACT). ACT was imposed at the rate of 17% of 'accounting profit before tax' through Finance Act 2014, by inserting section 113C in the Income Tax Ordinance, 2001. The Holding Company has challenged the levy of ACT for the tax years 2014 and 2015, on the grounds that it deprived the Holding Company of certain rights already accrued to it.

However, the assessing officer through an order dated May 17, 2022, passed u/s 122(5A) of the Income Tax Ordinance 2001, raised an alleged demand of Rs 2,031 million on account of ACT matter pertaining to the tax year 2015. The Holding Company has filed an appeal before the CIR (A) against such adverse order.

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.

- (v) The Holding Company has issued corporate guarantees in favor of Pakarab Fertilizers Limited (an associated undertaking) amounting to Rs 5,108 million (December 31, 2021: Rs 5,271 million). The Holding Company has obtained approval from the shareholders amounting to Rs 4,000 million. In light of the legal advice, the management is of the opinion that as the ultimate beneficiary of remaining amount of corporate guarantees is the Holding Company, therefore it does not require shareholders' approval. However, the Holding Company still intends to secure shareholders' approval for the remaining amount before the end of the year.

	Note	Un audited	Audited	
		September 30, 2022	December 31, 2021	
		(Rupees in thousand)		
8.2 Commitments in respect of:				
(i)	Contracts for capital expenditure	1,487,301	3,880,314	
(ii)	Contracts other than capital expenditure	555,345	3,605,830	
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:			
	- Not later than one year	744,080	231,860	
	- Later than one year but not later than five years	1,102,085	144,174	
		1,846,165	376,034	
9 Property, plant and equipment				
	Operating fixed assets	9.1	99,576,526	99,741,174
	Capital work in progress	9.2	9,189,412	5,681,290
			108,765,938	105,422,464
9.1 Movement of operating fixed assets				
	Opening book value		99,741,174	100,724,565
	Additions during the period / year	9.1.1	3,837,083	4,821,258
			103,578,257	105,545,823
	Less: Depreciation charged during the period / year		3,977,153	5,245,720
	Book value of disposals during the period / year		24,578	558,929
	Closing book value		99,576,526	99,741,174
9.1.1 Additions during the period / year				
	Freehold land		1,253,398	65,870
	Building on freehold land		4,541	347,620
	Plant and machinery		1,519,748	3,725,907
	Catalysts		-	99,457
	Furniture and fixtures		40,095	16,076
	Office equipment		29,111	20,612
	Electric installations and appliances		379,487	203,040
	Computers		167,851	124,656
	Vehicles		276,062	218,020
	Right of use assets		166,790	-
			3,837,083	4,821,258

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

For the nine months ended September 30, 2022

9.1.2 Operating fixed assets include right of use assets amounting to Rs 1,678.30 million (December 31, 2021: Rs 1,699.26 million).

	Un audited September 30, 2022	Audited December 31, 2021
(Rupees in thousand)		
9.2 Capital work in progress		
Civil works	343,174	175,861
Plant and machinery	2,366,806	1,882,284
Capital stores	4,002,142	1,799,228
Advances:		
- Freehold land	525,830	756,240
- Plant and machinery	1,951,460	1,067,677
	2,477,290	1,823,917
	9,189,412	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	6,003,527	4,751,907
	11,698,286	8,965,075
Less: Capitalization during the period / year	2,488,311	3,270,316
	9,209,975	5,694,759
Less: Provision for slow moving capital stores	20,563	13,469
Closing balance	9,189,412	5,681,290
10 Intangible assets		
Opening book value	3,608,877	5,991,019
Additions during the period / year	53,596	19,741
	3,662,473	6,010,760
Less: Amortization charged during the period / year	32,590	41,883
Impairment charged during the period / year	1,770,000	2,360,000
Closing book value	1,859,883	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	679	906
Closing book value	774,660	775,339
12 Stores and spares		
Stores	798,869	495,097
Spares	9,648,715	7,498,447
Catalyst and chemicals	5,403,826	3,672,827
	15,851,410	11,666,371
Less: Provision for slow moving stores and spares	144,023	100,538
	15,707,387	11,565,833

	Un audited September 30, 2022	Audited December 31, 2021
	(Rupees in thousand)	
13 Stock in trade		
Raw materials {including in transit Rs 5,652.55 million (December 31, 2021: Rs 3,871.03 million)}	9,005,314	10,558,828
Packing materials	53,165	28,981
Mid products		
Ammonia	178,830	95,189
Nitric acid	16,900	22,425
Others	3,671	4,950
	199,401	122,564
Finished goods		
Own manufactured		
Urea	3,176,490	247,278
NP	15,863,282	5,185,720
CAN	338,918	29,333
Certified emission reductions	32,556	51,981
	19,411,246	5,514,312
Purchased for resale	2,323,850	2,107,096
	30,992,976	18,331,781

14 Trade debts

This includes Rs 10,169.41 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		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Rupees in thousand)			
16 Sales					
Revenue from contracts with customers					
Local sales	16.1	36,636,688	29,462,025	98,673,632	76,770,002
Certified emission reductions		-	-	246,642	-
		36,636,688	29,462,025	98,920,274	76,770,002

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

For the nine months ended September 30, 2022

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Note	(Rupees in thousand)			
16.1 Local sales				
Own manufactured	24,549,703	21,182,927	67,015,545	61,872,527
Toll manufacturing	11,794,724	7,853,711	31,980,171	14,258,939
Mid products	352,192	301,134	1,040,076	896,775
Purchased for resale	267,925	1,249,975	1,594,380	2,621,092
	36,964,544	30,587,747	101,630,172	79,649,333
Less: Sales tax	55,774	664,822	1,443,652	1,706,303
Discounts	272,082	460,900	1,512,888	1,173,028
	36,636,688	29,462,025	98,673,632	76,770,002
17 Cost of sales				
Raw material consumed	19,460,863	6,563,963	48,734,076	20,329,073
Packing material consumed	937,962	560,371	2,454,756	1,792,019
Salaries, wages and other benefits	1,963,461	1,520,554	5,855,287	4,375,600
Fuel and power	2,527,368	1,529,076	7,109,339	4,884,705
Chemicals and catalyst consumed	755,316	711,395	2,230,016	1,724,796
Stores and spares consumed	985,719	604,134	2,794,584	1,867,414
Technical assistance	110,622	23,259	307,948	244,484
Repair and maintenance	885,346	581,090	3,440,304	2,311,545
Insurance	274,453	214,531	798,578	627,934
Travelling and conveyance	76,182	35,539	183,545	101,430
Rent, rates and taxes	124,854	86,400	402,738	219,276
Vehicle running and maintenance	69,237	37,229	173,080	95,665
Depreciation	1,263,197	2,275,556	3,766,783	3,756,792
Others	78,776	22,304	234,670	66,639
Subsidy on RLNG released by GoP to SNGPL	17.1	–	(7,892,654)	(1,532,564)
Manufacturing cost	29,513,356	14,765,401	70,593,050	40,864,808
Opening stock of mid products	185,202	65,411	122,564	311,053
Closing stock of mid products	(199,401)	(103,768)	(199,401)	(103,768)
Cost of goods manufactured	29,499,157	14,727,044	70,516,213	41,072,093
Opening stock of finished goods	13,484,256	9,508,714	5,514,312	8,373,200
Closing stock of finished goods	(19,411,246)	(8,301,286)	(19,411,246)	(8,301,286)
Cost of sales - own manufactured	23,572,167	15,934,472	56,619,279	41,144,007
Cost of sales - purchased for resale	189,980	946,905	1,123,402	2,118,399
	23,762,147	16,881,377	57,742,681	43,262,406

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		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Rupees in thousand)			
18 Finance cost				
Markup on long term finances	352,489	143,413	746,373	535,664
Markup on short term finances	193,368	236,971	468,191	710,557
Interest on lease liabilities	39,109	41,033	115,701	123,282
Bank charges and others	155,628	143,554	584,897	406,077
	740,594	564,971	1,915,162	1,775,580

19 This includes Super Tax amounting to Rs 3,494.88 million relating to year 2021.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Rupees in thousand)			
20 Earnings per share - basic and diluted				
Profit attributable to ordinary shareholders	4,059,798	4,776,733	9,905,735	14,091,437
	(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	1.93	2.27	4.72	6.71

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

For the nine months ended September 30, 2022

21 Transactions with related parties

The related parties comprise of 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:

		Nine months ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
Relationship with the Group	Nature of transaction		
Associated companies	Purchase of packing material	2,304,610	1,881,292
	Purchase of raw material	1,438,446	2,232,550
	Purchase of catalysts	–	70,648
	Purchase of stores and spares	755,615	390,760
	Sale of mid products	118,479	93,107
	Lease rental and license fee	120,120	109,200
	Payment against sales collection	38,282,131	16,432,984
	Toll manufacturing revenue	31,980,171	14,258,939
	Fee for services	2,236,430	2,376,049
	Short term loan given	–	3,758,000
	Markup income	1,079,444	578,687
Markup expense	–	124,588	
Miscellaneous expenses	16,685	42,332	
Directors and key management personnel	Remuneration including benefits and perquisites	513,706	295,119
Retirement benefit plans	Retirement benefit expense	320,318	169,449

Nine months ended

September 30, 2022 September 30, 2021

(Rupees in thousand)

22 Cash generated from operations

Profit before tax	25,999,787	22,491,362
Adjustments for:		
Depreciation on property, plant and equipment	3,977,153	3,938,890
Depreciation on investment property	679	679
Amortization of intangible assets	32,590	31,273
Impairment of intangible asset	1,770,000	885,000
Finance cost	1,915,162	1,775,580
Provision for staff retirement benefits	188,486	79,432
Provision for slow moving stores and spares	50,578	23,116
Exchange gain on translation of foreign currency loan	–	(3,312)
Profit on loans to associated companies	(1,079,444)	(579,057)
Loss on remeasurement of investment - FVTPL	643,966	111,150
Loss allowance / (reversal of loss allowance) on subsidy receivable from GoP	82,293	(67,546)
Unwinding of provision for GIDC	214,793	284,100
Dividend income	(168,305)	(160,305)
Share of profit from associates	(2,665)	(52,191)
Profit on saving accounts	(179,936)	(11,921)
Loss / (gain) on disposal of property, plant and equipment	6,436	(1,492)
	7,451,786	6,253,396
Operating cash flows before working capital changes	33,451,573	28,744,758
Effect on cash flow due to working capital changes:		
Net increase in current assets:		
Stores and spares	(4,192,132)	(2,352,003)
Stock in trade	(12,661,195)	(901,593)
Trade debts	(8,658,309)	(9,089,957)
Advances, deposits, prepayments and other receivables	(2,120,776)	(3,484,999)
Net increase in creditors, accrued and other liabilities	14,855,613	9,904,354
	(12,776,799)	(5,924,198)
	20,674,774	22,820,560

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 nine months ended September 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:

	September 30, 2022 (Un audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets at fair value				
Investment - FVTPL	4,403,885	–	–	4,403,885
Investment - FVTOCI	–	–	–	–
Total assets at fair value	4,403,885	–	–	4,403,885

	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 financial statements have been authorized for issue on October 26, 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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