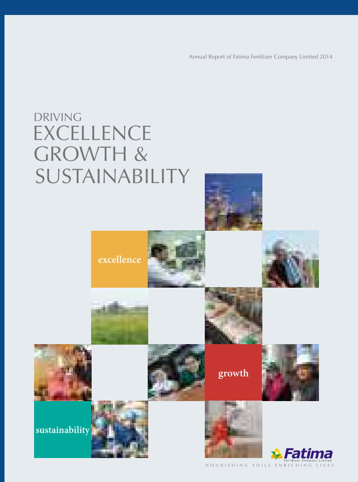
Annual Report of Fatima Fertilizer Company Limited 2014

DRIVING EXCELLENCE GROWTH & SUSTAINABILITY

Fatima
Fertilizer Company Limited

NOURISHING SOILS ENRICHING LIVES



The Cover Concept

Driving Excellence, Growth & Sustainability

“Fatima Fertilizer Company Limited, aspires to be the leading national player with global outreach in the manufacturing and marketing of fertilizer products. The cover concept of this report embodies our values, ambitions and vision of driving continuous excellence in all our operations, growth in business and sustainability in the value chain for the shareholders, employees and the communities we work with and live in.”

Contents

Key Highlights 2014

Fertilizer Production **1,181** MT in '000'	+6.98%
Revenue **36,169** PKR in Million	+7.98%
Profit after Tax **9,258** PKR in Million	+15.40%
Earnings Per Share **4.41** Rupees	+15.45%
Dividend **2.75** Rupees per Share	+10.00%
Contribution to National Exchequer **7,120** PKR in Million	+9.40%
Return on Capital Employed **17.12** Percentage	+18.23%

Agriculture Farms Addressed	20,699
Permanent Employees	856
Women Development (Female staff in head office)	22.5%
Staff Trainings (Man Hours)	31,038
Combined Safe Man Hours (HSE)	22.1 Million hours
Trees Planted	1,000
Employee Turnover	5.3%
Investment in CSR	154 PKR in Million

About US

Vision, Mission Statement

Vision

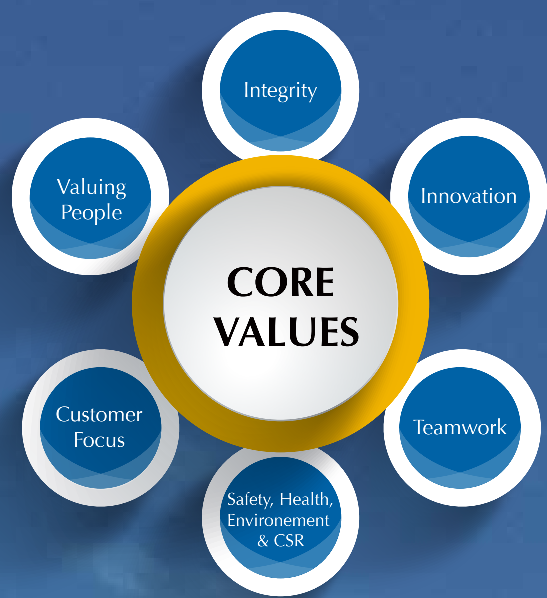
To be a world class manufacturer of fertilizer and ancillary products, with a focus on safety, quality and positive contribution to national economic growth and development. We will care for the environment and the communities we work in, while continuing to create shareholders' value.

Mission

- To be the preferred fertilizer Company for farmers, business associates and suppliers by providing quality products and services.
- To provide employees with an exciting, enabling and supportive environment to excel in, be innovative, entrepreneurial in an ethical and safe working place based on meritocracy and equal opportunity.
- To be a responsible corporate citizen with a concern for the environment and the communities we deal with.

Corporate Values

These are the values that Fatima Fertilizer Company Limited epitomize, and are reflected in all our transactions and interactions. Congruence to these values has been a part of our business strategy. They are bound in the very fabric of our organization, shaped by organizational processes, procedures and practices.



Code of Conduct

"Fatima Fertilizer Company Limited conducts its business with the highest ethical standards in full compliance with all applicable laws. Honesty and integrity take precedence in all relationships including those with customers, suppliers, employees and other stakeholders."

Ethics and Business Practices

- We believe in conducting the Company's business in a manner that respects, protects and improves the environment and provides employees with a safe and healthy workplace. We conduct our business in an environmentally responsible and sustainable manner. Employees must be completely familiar with the permits, Health Safety and Environment policy, local laws and regulations that apply to their work.
- All employees are expected to understand the laws and business regulations related to their work and comply fully so that our shareholders, employees, customers, suppliers, stakeholders and the Government have complete faith in the way we operate and that our business decisions are made ethically and in the best interests of the Company.
- Employees are obligated to act in accordance with the Company's code of Ethics and Business Conduct and are restricted to using only legitimate practices in commercial operations and in promoting the Company's position on issues before governmental authorities. Inducements intended to reward favorable decisions and governmental actions are unacceptable and prohibited.
- Employees are prohibited from using their positions, Company property or information for personal gain, and from competing with the Company. Employees are also prohibited from taking advantage from opportunities that become available through the use of Company information, property or their position.

Assets and Proprietary information

- We consider our Company's assets, both physical and intellectual, very valuable. We have, therefore an obligation to protect these assets in the interest of the Company and its shareholders.
- Protection of the Company's information is important for our business. All employees are expected to know what information is proprietary and which must not be disclosed to unauthorized sources. Employees are responsible for applying all available tools to manage the Company's information resources and records.

Relations with Business partners

- We seek to do business with suppliers, vendors, contractors and other independent businesses who demonstrate high standards of ethical business behavior. Our Company will not knowingly do business with any persons or businesses that operate in violation of applicable laws and regulations, including employment, health, safety and environmental laws. We shall take steps to assure that our suppliers, vendors and contractors understand the standards we apply to ourselves, and expect the same from them.

Our Employees

- We believe that highly engaged employees are the key ingredient in professional development and business success. Therefore, we invite our employees to contribute their best and to avail the opportunities for improvement and growth. We are an equal opportunity employer and promote gender diversity, self-development and innovation. We provide employees with tools, techniques, and training to master their current jobs, broaden their skills, and advance their career goals.

The Audit Committee of the Board ensures compliance of above principles.

Strategic Objectives

Fatima's dynamic corporate strategy and the winning spirit of our team endeavors to enhance customer satisfaction by delivering differentiated products and services. We aim at creating value for our stakeholders through continuous excellence in our operational efficiencies, strategic planning and robust implementation for driving our market position. This is achieved by focusing on our 'sustainable competitive advantage'. It is derived by continuously assembling and utilizing an appropriate combination of our resources and in response to the changing market conditions. We believe in the highest ethical values, best business practices, transparency in disclosure and engagement with all stakeholders for mutual growth and sustainability. We consider appropriate investments in people, infrastructure and diversification of our product line as major drivers behind corporate sustainability in the ever changing market scenario. We remain focused on customers and leverage market driven initiatives and controls at all levels. Our focus is to drive land productivity through balanced fertilizer application. Our key strategic priorities are:

- Aspire to be the market leader in fertilizer business
- Investment in human resources and their capacities
- Operational Excellence for optimum plant performance
- Focus on enhancing sales
- Make new in-roads in distribution and create new businesses and channels
- Synergize investment and capacities
- Augment profitability with cost effectiveness and lean business operations
- Effective Financial Controls for swift decision making at all levels
- To be a responsible business concern through CSR and sustainability initiatives

Company Profile

Fatima Fertilizer Company Limited hereinafter referred as “Fatima” was incorporated on December 24, 2003, as a joint venture between two major business groups in Pakistan namely, Fatima Group and Arif Habib Group, with its head office located in Lahore, Pakistan. The fertilizer complex is a fully integrated production facility producing mix fertilizer products, located at Sadiqabad, Rahim Yar Khan.

The Complex is housed on 947 acres of land. The foundation stone was laid on April 26, 2006 by the then Prime Minister of Pakistan. The Complex has dedicated gas allocation of 110 MMCFD from Mari Gas Field and has 56 MW captive power plants in addition to off-sites and utilities. Commercial production commenced on July 01, 2011. The Complex has an annual design capacity of:

- 500,000 Metric Tons of Urea
- 420,000 Metric Tons of Calcium Ammonium Nitrate (CAN)
- 360,000 Metric Tons of Nitro Phosphate (NP)

The Complex, at its construction peak engaged over 4,000 engineers and technicians from Pakistan, China, USA, Japan and Europe. The Complex provides modern housing for its employees with all necessary facilities. This includes a school for children of employees and the local community, a medical center and sports facilities.

The Company is listed at all stock exchanges of Pakistan. The current paid up capital of the Company is PKR 2.1 Billion.

Landmark Events

2014

2014
Contract with DuPont signed for PSM (Implementation in progress)

May 2013
Basic Engineering Design contract for Ammonia Revamp awarded

January 2013
Ammonia Revamp Study completed

May 2012
Conversion and Redemption of Preference Share

July 2011
Declaration of Commercial Operations

April 2011
NP Plant Production

April 2010
NA Plant Production

March 2010
Urea Plant Production

February 2010
Ammonia Plant Production

January 2010
Initial Public Offering

November 2009
CAN Plant Production

October 2009
Ammonia Furnace 1st Fire

November 2006
Financial Closure Achieved

April 2006
Ground Breaking

July 2005
GSA Signing

September 2004
Gas Allocation

December 2003
Company Incorporation

2003

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

Mr. Peter Vang Christensen
Independent Director

Mr. Tariq Jamali
Nominee Director-NBP

Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi
communications@fatima-group.com

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Haroon Waheed
Group Head of HR

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Javed Akbar
Head of Procurement

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Ahsen-ud-Din
Director Technology Division

Dr. Fuad Imran Khan
Chief Information Officer

Mr. Kashif Mustafa Khan
Incharge of Internal Audit

Mr. Asghar Naveed
Corporate HSE Manager

Audit Committee Members

Mr. Muhammad Kashif Habib
Chairman

Mr. Peter Vang Christensen
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. M. Abad Khan
Member

Mr. Tariq Jamali
Member

HR and Remuneration Committee Members

Mr. M. Abad Khan
Chairman

Mr. Peter Vang Christensen
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. Yousuf Adil Saleem & Company
Chartered Accountants, Multan.
(A member firm of Deloitte Touche Tohmatsu)
Abdali Tower, First Floor, 77-Abdali Road, Multan.
UAN: +92 (0) 61 111-55-2626
Ph: +92 (0) 61 4511979, 4785211-13
Fax: +92 (0) 61 4785214
Web: www.deloitte.com.pk

Cost Auditors

Ernst & Young Ford Rhodes Sidat
Hyder & Co
Chartered Accountants
Mall View Building, 4-Bank Square
P.O. Box No. 104
Lahore
Tel: +9242 3721 1531-38
Fax: +9242 3721 1530 and 39
Eyfrsh.lhr@pk.ey.com
Ey.com/pk

Registrar and Share Transfer Agent

Central Depository Company of
Pakistan Limited
Share Registrar Department 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) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bankislami Pakistan Limited
Burj Bank Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak China Investment Company Limited ("NBFI")
Pak Libya Holding Company Limited ("NBFI")
Saudi Pak Industrial & Agricultural Investment Company Limited ("NBFI")
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited.
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Registered Office / Head Office

E-110, Khayaban-e-Jinnah, Lahore
Cantt., Pakistan.
UAN: 111-FATIMA (111-328-462)
Fax: 042-36621389

Plant Site

Mukhtar Garh, Sadiqabad, Distt.
Rahim Yar Khan, Pakistan.
Tel: 068-5786910
Fax: 068-5786909

Profiles of the Directors

Mr. Arif Habib
Chairman / Non-Executive Director

Mr. Arif Habib is the Chairman of Fatima Fertilizer Company Limited. He is also the Chairman of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Javedan Corporation Limited and Arif Habib DMCC Dubai.

Mr. Arif Habib has remained the President / Chairman of Karachi Stock Exchange for six times in the past. He is the Founding Member and Former Chairman of the Central Depository Company of Pakistan Limited. He has served as Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities and Exchange Ordinance Review Committee.

On the social services front, Mr. Arif Habib is the Chairman of Arif Habib Foundation, Trustee of Memon Health and Education Foundation and Fatimid Foundation and Director of Pakistan Centre for Philanthropy and Karachi Education Initiative (Karachi Business School).

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has rich experience of manufacturing and industrial management, and in addition to being a successful business leader, he is also a renowned philanthropist. Following his graduation, he has spent 30 years in developing his family business into a sizable conglomerate. Mr. Fawad Mukhtar leads several community service initiatives of his group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School, Mukhtar A. Sheikh Welfare Trust etc. He is also the Chairman of Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Air One (Private) Limited, and is also the CEO of Pakarab Fertilizers Limited. In addition, he is member Board of Directors of "The National Management Fund" – a parent body of Lahore University of Management Sciences (LUMS).

Mr. Fazal Ahmed Sheikh
Executive Director

Mr. Fazal Ahmed Sheikh is a Director of the Company. He holds a degree in Economics from the University of Michigan, Ann Arbor, USA. He has played a strategic role in Fatima Group's expansion and success. He is the CEO of Reliance Weaving Mills Limited, Fatima Energy Limited and Air One (Private) Limited. In addition, he is also the member Board of Directors at Pakarab Fertilizers Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited and Fazal Cloth Mills Limited.

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

Mr. Faisal Ahmed Mukhtar is a Director of the Company. He holds a Law degree from Bahauddin Zakariya University, Multan. He is the former Mayor and City District Nazim of Multan, and continues to lead welfare efforts in the city. He is also the Chairman of Workers Welfare Board at Pakarab Fertilizers Limited and is member Board of Directors at Pakarab Fertilizers Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fatima Energy Limited, Reliance Weaving Mills Limited, Reliance Commodities (Private) Limited, Fazal Cloth Mills Limited, and Air One (Private) Limited. Additionally he is also a member in the Provincial Finance Commission (Punjab), Steering Committee of Southern Punjab Development Project and Decentralization Support Program.

Mr. M. Abad Khan
Non-Executive Director

Mr. M. Abad Khan is a non-executive director of the Company. He graduated with a degree in Mechanical Engineering from UET Lahore and received extensive training in fertilizer abroad. During his career , he was associated with most of the fertilizer growth in Pakistan.

He started his career with first Urea plant in the country under the aegis of PIDC at Multan. He served at Exxon Chemical Pakistan Ltd. for 15 years. He led Fauji Fertilizer Co. manufacturing for 14 years as General Manager where he organized and established the team to lead the plant to world standards. Plant capacity increased more than double by the time of his retirement.

In 2001, when FFBL faced serious challenges, he took over as General Manager Manufacturing. During the 4 years of this assignment, production and reliability improved to design level, a strong HSE culture was created and a major revamp of 25% over design capacity was conceived, planned and ordered which was later implemented with great success. He has been with Fatima Group for 9 years and played significant role in establishment of Fatima Fertilizer plant.

During the course of a long career, he had extensive international exposures through seminars, symposiums and trainings including one at Harvard Business School.

He is also a Director of Fatima Energy Ltd .

Profiles of the Directors

Mr. Muhammad Kashif Habib
Non-Executive Director

Mr. Muhammad Kashif Habib is a Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan (ICAP).

He is the CEO of Power Cement Co. Limited and Safe Mix Concrete Products Limited. He is member Board of Directors at Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Javedan Corporation Limited, Aisha Steel Mills Limited, Arif Habib REITS Management Limited, Rotocast Engineering (Pvt) Limited, Memon Health and Education Foundation, and is also the Chief Executive of Al-Abbas Cement Industries Limited.

Mr. Peter Vang Christensen
Non-Executive / Independent Director

Mr. Peter Vang Chirstensen holds a BSc in Chemical Engineering from Technical University of Denmark and a degree in Business Engineering from Copenhagen Engineering College. He is employed with Haldor Topsøe A/S since 1992, and is currently working as Vice President, Licensing and Project Sales, and Chemical Business Unit. Over the years, he has acquired vast experience in varied engineering fields including Petrochemical Plants, Process Engineering, startup Engineer, Projects related to Ammonia, Methanol and Hydrogen plants, Sales of Ammonia Plant projects, marketing and sales of catalysts for the chemicals business area including Ammonia, Methanol, Hydrogen, Syngas, Formaldehyde, DME and SNG plants, and is currently responsible for licensing and project sales for the chemicals business areas, including Ammonia, Methanol, Hydrogen, Syngas, Formaldehyde, DME and SNG plants. In addition, Mr. Christensen, since March 2012 has been a member of the executive committee of the International DME Association (IDA). He brings in vast experience and technical management know how for Fatima.

Mr. Tariq Jamali
Non-Executive / Nominee Director – National Bank of Pakistan

Mr. Tariq Jamali is SEVP and Group Chief, Logistics Support, Security and Engineering Group at National Bank of Pakistan since December 2014. Previously he remained Group Chief of Commercial and Retail Banking Group, and Group Chief of Compliance Group since 2009. He joined National Bank of Pakistan in 1987 and has held numerous Senior Management positions at Regional and Head Office levels. He has an overall working experience of more than 23 years at different key positions. He holds an MBA degree from University of Dallas, USA.

Board Structure and Committees

Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. It comprises of eight directors, seven of whom have been elected by the shareholders for a term of three years which expires on April 30, 2017 and one director is the nominee of National Bank of Pakistan. There are two executive directors including the Chief Executive Officer and six non-executive directors including the Chairman, Nominee Director and Independent Director.

The Board provides leadership and strategic guidance to the Company, oversees the conduct of business and promotes the interests of all stakeholders. It reviews corporate policies, overall performance, accounting and reporting standards and other significant areas of management, corporate governance and regulatory compliance. It also reviews and approves the annual budget and long term strategic plans. The Board is headed by the Chairman who manages the Board's business and acts as its facilitator and guide. The Board is assisted by an Audit Committee and a Human Resource and Remuneration Committee while the CEO carries responsibility for day-to-day operations of the Company and execution of Board policies.

Board Committees

The standing committees of the Board are:

Audit Committee

Composition

The Audit Committee consists of five members of the Board. All of the members of the Audit Committee are non-executive including the Chairman and one Independent Director. The members are:

Mr. Muhammad Kashif Habib
Chairman

Mr. Peter Vang Christensen
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. M. Abad Khan
Member

Mr. Tariq Jamali
Member

Terms of Reference

In addition to any other responsibilities which may be assigned from time to time by the Board, the main purpose of the Audit Committee is to assist the Board by performing the following main functions:

- to monitor the quality and integrity of the Company's accounting and reporting practices;
- to oversee the performance of Company's internal audit function;
- to review the external auditor's qualification, independence, performance and competence; and
- to comply with the legal and regulatory requirements, Company's by-laws and internal regulations.

The Terms of Reference of the Audit Committee have been drawn up and approved by the Board of Directors in compliance with the Code of Corporate Governance. In addition to compliance with Code of Corporate Governance, the Audit Committee carries out the following duties and responsibilities for the Company as per its Terms of Reference:

a) determination of appropriate measures to safeguard the Company's assets;

b) review of preliminary announcements of results prior to publication;

c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - the going-concern assumption;
   - any changes in accounting policies and practices;
   - compliance with applicable accounting standards; and
   - compliance with listing regulations and other statutory and regulatory requirements.

d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) review of management letter issued by external auditors and management's response thereto;

f) ensuring coordination between the internal and external auditors of the Company;

g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) consideration of major findings of internal investigations and management's response thereto;

i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

l) determination of compliance with relevant statutory requirements;

m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

n) consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource and Remuneration Committee

Composition

The Human Resource and Remuneration Committee consists of four members of the Board. All of the members of the Committee are non-executive including the Chairman and one Independent Director. The members are:

Mr. M. Abad Khan
Chairman

Mr. Peter Vang Christensen
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Terms of Reference

The Human Resource Committee is a mean by which the Board provides guidance on human resources excellence. The specific responsibilities, authorities and powers that the Committee carries out on behalf of the Board are as follows:

Duties and Responsibilities

The Committee shall carry out the duties mentioned below for the Company:

1.1 to review and recommend the annual compensation strategy with focus on the annual budget for Head count and Salaries and wages;

1.2 to review and recommend the annual bonus and incentive plan;

1.3 to review and recommend the compensation of the Chief Executive and Executive Directors;

1.4 to assist the Board in reviewing and monitoring the succession plans of key positions in the Company;

1.5 to review and monitor processes and initiatives related to work environment and culture;

1.6 to perform such other duties and responsibilities as may be assigned time to time by the Board of Directors.

Reporting Responsibilities

2.1 the Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;

2.2 the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

2.3 the Committee shall, if requested by the Board, compile a report to shareholders on its activities to be included in the Company's Annual Report.

Authorities and Powers

The Committee is authorized and empowered:

3.1 to seek any information it requires from any employee of the Company in order to perform its duties;

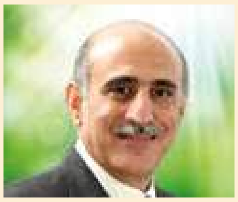
3.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and

3.3 to call any employee to be questioned at a meeting of the Committee as and when required.

Key Management

The key management is directly responsible for managing the day-to-day operations under the leadership of the Chief Executive Officer of Fatima

Mr. Arif-ur-Rehman
Director Operations
Mr. Arif-ur-Rehman joined Fatima in early 2007 and led the project successfully as Project Director. After project commissioning, he is now leading the Manufacturing Division as 'Director Operations'. He is a Chemical Engineer with 33 years of experience in the fertilizer and petrochemical industries. His experience includes tenures with Fauji Fertilizer plant at Goth Macchi where he was part of a successful project team, Fauji Fertilizer Bin Qasim plant and ICI PTA Bin Qasim plant.



Mr. Muhammad Zahir
Director Marketing
Mr. Muhammad Zahir holds a Master's degree in Business Administration from the Institute of Business Administration, at University of Karachi. He spent 29 years with ICI Pakistan working for various businesses and the Human Resource Function. He was Vice President Paints Business, Vice President Life Sciences Business and Vice President HR. He served as an Executive Director on the Board of ICI Pakistan and on the Board of ICI Paints, Sri Lanka. He has diverse experience in businesses including Paints, Polyester Fiber, Chemicals, Agrochemicals, Pharmaceuticals, Seeds and Animal Health.

Mr. Asad Murad
Chief Financial Officer
Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In over 18 years' career, he has held various senior management positions in the areas of financial management, strategic business planning, risk management and corporate compliance. He has also served as Chief Financial Officer at Honda Atlas Cars (Pakistan) Limited, a subsidiary of Honda Motor Company, Japan. He joined Fatima Group in 2010 as Head of Internal Audit before appointment to his current position as Chief Financial Officer of the Company.

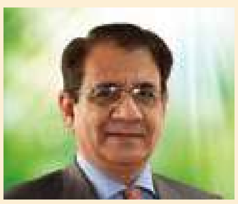
Mr. Ausaf Ali Qureshi
Company Secretary
Mr. Ausaf Ali Qureshi is a Fellow Member of Institute of Chartered Accountants of Pakistan. He joined the Group in May 2010 as Company Secretary with additional responsibility for investor relations. He has over 29 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol- Myers Squibb (BMS). In his 20 years' plus career at BMS, he held various senior management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.

Mr. Haroon Waheed
Group Head of HR
Mr. Haroon Waheed has done his LLM from Monash University, Melbourne, Australia. He has over 21 years of national and international broad based functional business experience with Unilever, and has been associated with Pakistan Society of HR Management as President. Haroon also represents in the HR, management and leadership development conferences at national level. He won the International HR Leadership Award in London and Talent Management Award in Singapore in 2010.

Mr. Iftikhar Mahmood Baig
Director Business Development
Mr. Iftikhar Mahmood Baig is serving as Director Business Development at Fatima Group. He is member Board of Directors at Reliance Sacks Limited and Pakistan Mining Company Limited and is member of the Workers Welfare Board at Pakarab Fertilizers Limited. He is a Fellow member of Institute of Chartered Secretaries and Managers of Pakistan. Mr. Baig is associated with Fatima Group since 1996 and has held various senior level management positions. He has over 31 years of experience in new Venture Development, Corporate, Finance, Government Relations and Strategic Planning.

Mr. Javed Akbar
Head of Procurement
Mr. Javed Akbar is a Mechanical Engineer from NED University of Engineering and Technology Karachi, and also did his graduation in computer science from university of Mississippi, USA. He brought with him an experience of around 27 years, out of which more than 17 years is in the area of supply chain with multinational companies in Pakistan including Philips, Alcatel, Mobilink and PTCL. He has attended International Training Courses on management and leadership from world renowned institutions like Insead, Harvard and MIT.

Mr. Qadeer Ahmed Khan
Director Special Projects
Mr. Qadeer Ahmed Khan has done his MS in Petrochemicals and Hydrocarbons from the Institute of Science and Technology, University of Manchester, England. He has a vast experience of working in chemicals and fertilizer industries. He has over 32 years of experience at Engro Chemicals and Engro Polymers, where he held various senior management positions.



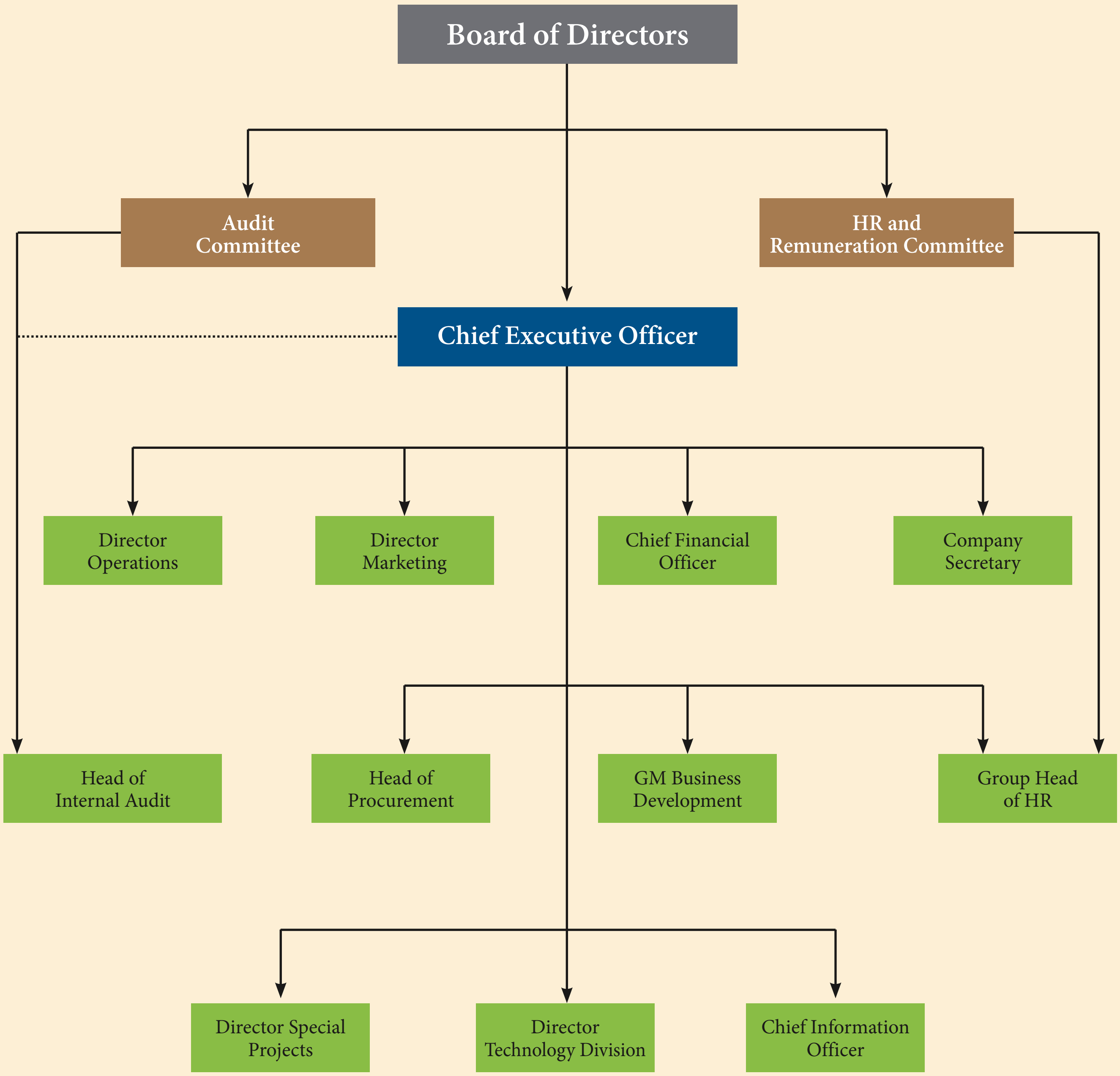
Mr. Ahsen-ud-Din
Director Technology Division
Mr Ahsen-ud-din has around 32 years of professional experience with leading companies like Engro Corporation (formerly Exxon Chemical Pakistan), Fauji Fertilizer and Kuwait National Petroleum. During his career, Mr Ahsen-uddin has a track record of executing multi-million dollar petrochemical and fertilizer projects and efficiently managing fertilizer and petrochemical manufacturing facilities with world class HSE performance.

Dr. Fuad Imran Khan
Chief Information Officer
Dr. Fuad Imran Khan holds a Ph.D. Degree in Computer Information and Control Engineering and a Master's degree in Electrical and Computer Engineering from University of Michigan, USA and has a Bachelor's degree in Electrical Engineering from Massachusetts Institute of Technology. He has worked as Head of Information Technology at Roshan Afghanistan and PTCL. Dr. Fuad's last assignment was with Warid Telecom as their Chief Information Officer.

Mr. Kashif Mustafa Khan
Incharge of Internal Audit
Mr. Kashif Mustafa Khan is a Fellow Member of Institute of Cost and Management Accountants of Pakistan. He has diversified experience of over 20 years' in the field of financial management, regulatory compliance, taxation, international reporting and business planning. He had worked with GlaxoSmithKline for 3 years and Honda Atlas Cars (Pakistan) Limited for 14 year before joining the Company in 2010. He has been serving as Head of Accounts and Taxation prior to his present role in the Organization.

Mr. Asghar Naveed
Corporate Health, Safety and Environment Manager
Mr. Asghar Naveed possess twenty years of high end experience, with particular focus on Health, Safety and Environment (HSE). He holds a degree in chemical engineering along with various diplomas in HSE. In addition to Fatima he has recently been given additional responsibilities for other Fatima Group Companies for developing and implementing high quality standards for HSE. He is a renowned speaker at national and international forums, and has authored various publications.

Organizational Chart




Integrity . Teamwork . Safety, Health, Environment & CSR
Fatima
Fertilizer Company Limited
Innovation . Customer Focus . Excellence . Valuing People
Values & Behaviours
Integrity
Our actions are driven by honesty, ethics, fairness and transparency
Behaviours for Integrity
We are sincere, truthful and trustworthy in all our
transactions and interactions and honour commitments.
dignity and rights of individuals and
are free from

Business Review

Mr. Arif Habib
Chairman

"Fatima Fertilizer Company Limited today is significantly different from even the recent past. In reflecting on the all-encompassing changes we have introduced in the last few years, we are set to deliver our strategy. The benefits of the detailed work we have done to reposition, restructure and re-energize the Company are already evident in our performance, and in the commitment of our people."

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

"Fatima Fertilizer Company Limited has been successful over the years because of the dedication and passion of our people, good corporate governance of its Board of Directors and Management, coupled with continuous excellence in our operations. To further strengthen this foundation we continue to give particular attention to our values and best business practices. Integrity, Customer Focus, Teamwork, Innovations and Ethical Behavior are some of our core values, which remain at the heart of everything we do."

Directors' Report
to the Shareholders

The Directors of the Company are pleased to present the Annual Report for the year 2014. Our operational excellence is built upon fundamental commitments to our shareholders and the communities we work and live with, and to achieve the highest standards of compliance with laws, transparency in disclosure, best corporate business principles and code of conduct as well as to protect the environment for future generations.

Market Overview

Compared to 2013, the year 2014 was better for the global fertilizer industry, with prices improving of both Nitrogenous and Phosphate fertilizers. The Nitrogen market was weak during 2013, with prices sliding in the Middle East to USD 290 per ton. Favorable demand in the East with China producing less and Middle East benefiting from improved supply resources has ensured that the Nitrogen market strengthened in 2014. The Middle East prices hence improved to USD 340 per ton by the end of the third quarter of the year. Though the demand softened towards the end, the year closed stronger than anticipated with the prices in the Middle East at USD 320 per ton and prices in China at USD 285 per ton. Supply still remains a concern as there are potentially huge volumes available in China for export.

In Pakistan, the gas shortage persisted for the fourth consecutive year and was the severest ever for the three plants on the SNGPL network. With commodity prices remaining under pressure, particularly for rice and sugarcane, farmers were reluctant to invest in Nitrogen fertilizers. Therefore, the Urea market declined by 4.5%, from 5.89 Million Tons in 2013 to 5.63 Million Tons in 2014.

The Phosphate market continued to recover from the slide in 2012.

Demand both in the west and the east ensured that the global market was stable to firm. Thus prices in China rose from as low as USD 400 per ton in December 2013 to USD 500 per ton by September 2014. Saudi Arabia followed suit. By the end of the year, the demand softened slightly due to seasonal low, hence prices softened to USD 485-490 per ton. In Pakistan, the Phosphate market registered an improvement by 5%, from 1,625 KT in 2013 to 1,709 KT in 2014. This was a consequence of under dosage by farmers in 2011 and 2012. Therefore, farmers moved towards balanced application in 2013 and 2014. We are proud to announce that we delivered substantially good results for the shareholders through better production and sales.

Company Performance

The overall sales of the Company improved over 2013. Sales of Urea remained in line with production and increased by 6.58% from 350 KT in 2013 to 373 KT in 2014. However, sales of CAN dropped by 5.9%, with lower consumption due to overall decline in the Nitrogen market impacted by lower water availability. NP continues to go from strength to strength with increasing awareness among farmers regarding the benefits of the product. Consequently the sales increased by 12.12% over last year with strong demand supported by better availability of product.

Financial Performance

With immense pleasure, we announce that Fatima had another successful year of operations scoring all time highest production, sales and profitability. In 2014, the Company has achieved its highest ever after-tax-profit of PKR 9.26 Billion for the year registering an increase of more than 15.40% over last year. The after tax profit of the Company improved to 25.60% (2013: 23.95%) and registering an EPS of PKR 4.41 (2013: PKR 3.82) showing an improvement of 15.45% over last year.

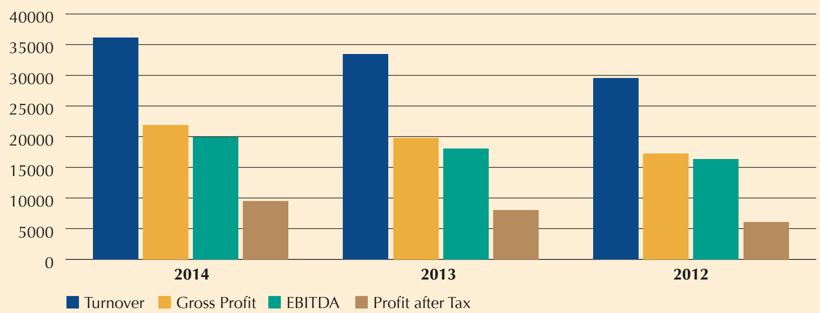
The improvement in performance resulted due to significant increase in revenues, unprecedented production achievements on back of improved capacity utilization and smooth operations, resulting in healthy cash generation. This was augmented by concentrated diversification and nationwide expansion of distribution network, strengthened brand, increased demand of products, income from technical services rendered outside Pakistan, efficient utilization of resources, downwards markup rate negotiations with lenders and optimum funds utilization.

Revenues increased to PKR 36.17 Billion as compared PKR 33.50 Billion last year - an increase of 7.98%, mainly due to the improved nationwide demand and availability of products. Product wise contribution towards revenue remained tilted towards NP, with 40%, whereas CAN and UREA contributed 28% and 31% respectively. Nitric Acid and Ammonia contributed the remaining 1%.

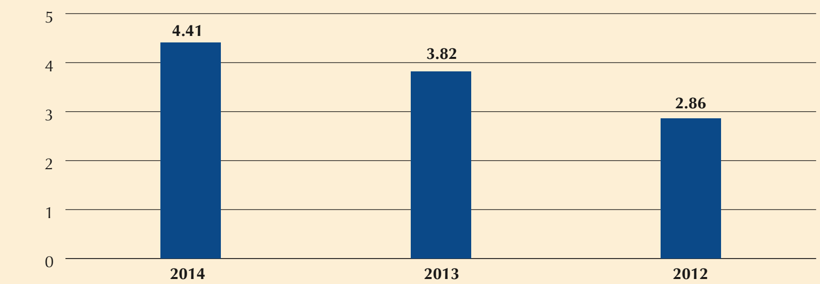
Financial Highlights

	2014		2013		2012	
	PKR Million	%	PKR Million	%	PKR Million	%
Turnover	36,169	-	33,496	-	29,519	-
Gross Profit	21,461	59.33	19,711	58.85	17,266	58.49
EBITDA	19,507	53.93	18,021	53.80	16,340	55.35
Profit after Tax	9,258	25.60	8,022	23.95	6,111	20.70
EPS (PKR)	4.41		3.82		2.86	

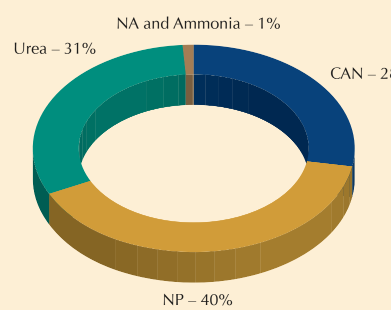
Financial Performance
Rupees in Million



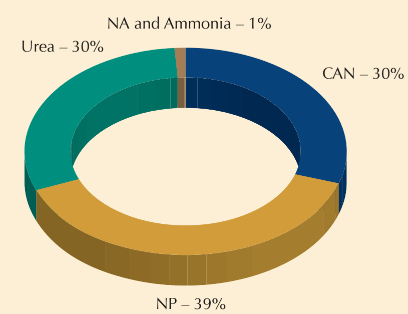
Earnings Per Share
Rupees



Sales Mix – 2014
Percentage



Sales Mix – 2013
Percentage



Operations

In 2014, Fatima's Plant performance excelled in all areas of operations. After the successful turnaround in April this year Plant operations improved significantly resulting in achievement of highest ever production by the Company with 7% increase over last year.

Gross Profit

Despite additional costs incurred on manpower primarily due to enhanced minimum wages by the Government and capacity enhancement and other new initiatives, the Gross Profit for the year increased significantly to PKR 21.46 Billion reflecting an increase of PKR 1.75 Billion over last year with an overall increase of 8.88%. Gross Margins improved to 59.33% against 58.85% last year. Increase in Gross Profit reflects efficient utilization of resources and effective management by the Company.

Distribution and Administrative Cost

As a result of controlled advertisement cost, overall distribution cost increased only slightly. The increase in freight and transportation cost was in line with increase in volumes.

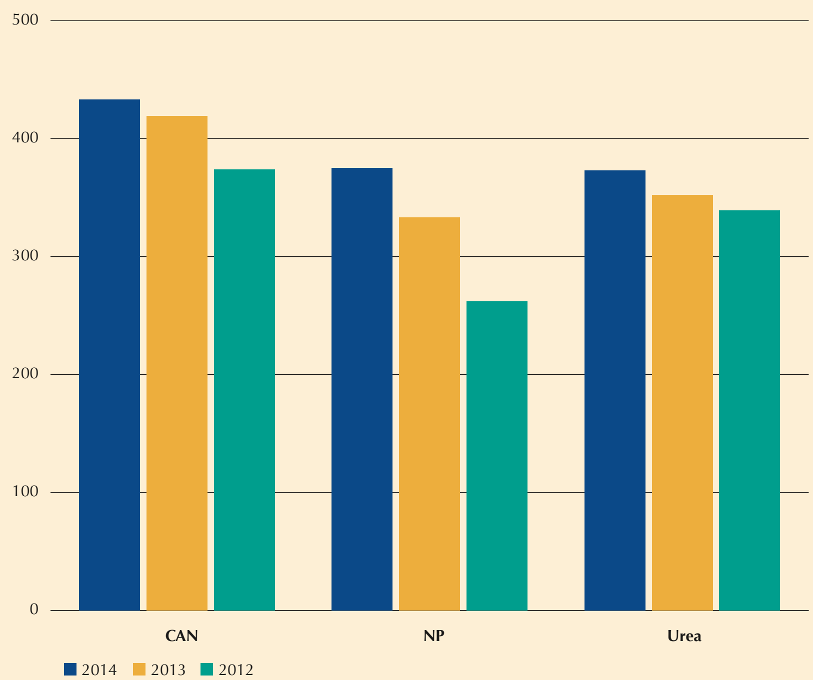
Being a responsible corporate citizen, the Company increased its contributions towards welfare activities mainly in health and education sectors. The administrative expenses increased by 25% over last year mainly due to increased CSR activities and additional cost of manpower reflecting increase in minimum wage rates by the GOP.

Production Detail

Plant wise production for the year 2014 is as follows:

Product	Production (in '000' MT)		
	2014	2013	2012
CAN	433	419	374
NP	375	333	262
Urea	373	352	339
Total	**1,181**	**1,104**	**975**

Production
Metric Tons in '000'



Capacity Utilization

Plant	2014	2013	2012
Urea, CAN and NP	92%	86%	76%

Other Income

The Company has significantly enhanced its Other Income by PKR 329.35 Million i.e. 111.66% over last year mainly on account of income of PKR 226.22 Million on account of Technical Services rendered outside Pakistan and full year impact of Markup Income on Loan of PKR 3 Billion to Pakarab Fertilizers Limited (an associated company).

Borrowing Cost

Finance Cost during the year reduced by PKR 402 Million i.e. 9.65% over last year mainly due to efficient utilization of financial resources, repayment of long term loans and successful negotiation of markup rates with the lenders.

Dividends

The Board of Directors in its meeting held on March 26, 2015 has proposed a final Cash Dividend @ Rs. 2.75 per share i.e. 27.5% for the year ended December 31, 2014 for approval of the members at the Annual General Meeting to be held on April 30, 2015. The financial statements do not reflect this proposed dividend.

Appropriations

	PKR in '000'
Unappropriated profit brought forward	9,968,958
Dividend 2013	(5,250,000)
Net profit for the year 2014	9,257,796
Profit available for appropriations	13,976,754
Appropriations:	
Other comprehensive income	(9,730)
Unappropriated profit carried forward	13,967,024

Financial Management

During the year, the Company met all its financial obligations timely by payment of PKR 9.47 Billion to lenders on account of debt servicing and dividend payment of PKR 5.25 Billion to its Shareholders.

Your Company has already arranged adequate financing for the Ammonia De-bottlenecking project. Further, your Company is in the process of issuance of foreign currency bond of up to USD 300 Million to finance its equity investment in the US project - Midwest Fertilizer Company LLC that is expected to materialize in the first half of year 2015. The USD 300 Million equity investment by your Company would be the first initiative of such magnitude to be carried out by a Pakistani Company.

Financial Highlights

Key operating and financial data of previous years has been summarized on page 25.

Contribution to National Exchequer and Economy

An amount of PKR 7.12 Billion (2013: PKR 6.51 Billion) was contributed during the year in respect of Custom duties, Sales tax and Income tax.

As a responsible citizen of our country your Company contributed 19.7% (2013: 19.4%) of total revenue back to the Economy.

Cash Flow Summary

	2014	2013
	PKR in Million	
Net Cash Inflow from Operating Activities	15,001	12,231
Net Cash Used in Investing Activities	(2,466)	(4,532)
Net Cash Used for Financing Activities	(11,824)	(8,445)
Net Increase / (Decrease) in Cash and Cash Equivalents	**711**	**(746)**
Cash and Cash Equivalents At Beginning of The Year	238	984
Cash and Cash Equivalents At End of The Year	**949**	**238**

Statement as to the Value of Investment of Provident Fund

The value of the investment of the provident fund is PKR 211 Million. These figures are unaudited for the year under review.

Observation in Auditors' Report

The Company has received a communication from Pakarab Fertilizers Limited (PFL), notifying that during 2014 due to severe shortage of gas supply to PFL by Sui Northern Gas Pipelines Limited, PFL could not operate at the expected levels. Due to this reason, PFL was not in a position to repay the said loan by December 31, 2014 and has requested the Company to extend the repayment period for one year up to December 31, 2015. The Company intends to obtain approval of the shareholders in the forthcoming annual general meeting for extension of repayment period for one year up to December 31, 2015, however, more than 80% of its shareholders have given consent to vote in favor of the proposed special resolution. This has been fully explained in Note 18 of the Financial Statements.

Future Outlook

While the year has ended on a stronger note than expected for the Nitrogen market, it is still likely to remain generally soft with high inventories in China. Strong demand in the East will be needed for the market to recover. Improvement in domestic demand in China will be required so that the amounts available for exports do not depress the international prices. Phosphate market globally is likely to remain stable. The lower commodity prices globally are likely to impact prices in Pakistan as well. This may impact fertilizer demand negatively, as witnessed during the current Rabi season where application of Nitrogen fertilizers was lower than traditional levels. Sugar and rice crises continue to persist. Farmers will depend on the performance of the wheat crop of 2014-2015.

Fatima Fertilizer has laid a strong foundation in terms of product quality and portfolio, created significant farmer and dealer awareness and taken unique initiatives in Channel development, Logistics and Warehousing and Technical Services. Now with a solid base, we look to embark on a journey that will make us an even more differentiated and a brand of choice for farmers and dealers in the industry over the next strategy period.

As part of our long-term vision, various projects for process and efficiency improvement were completed in 2014, which positively impacted the plant performance. In 2015, Ammonia De-bottlenecking and Capacity Enhancement Project will be completed, and the collective favorable impacts of this project amongst others will bring additional productivity, plant sustainability, and increase in value for the stakeholders.

Code of Corporate Governance

The Board and management are committed to ensure that the requirements of the Code of Corporate Governance are fully met. The Company has adopted good Corporate Governance practices with an aim to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. Pursuant to and in compliance with clause (xvi) of the Code of Corporate Governance, the Directors are pleased to report that:

a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;

b) Proper books of account of the Company have been maintained;

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements;

e) The system of internal control is sound in design and has been effectively implemented and monitored; and

f) There are no significant doubts upon the Company's ability to continue as a going concern.

Changes in the Board

During the year under review, the Directors of the Company completed their tenure in office. Election of directors was held on April 30, 2014 and all the existing directors were re-elected for the next term of three years.

Mr. Jørgen Nergaard Gøl tendered his resignation from the Board on October 16, 2014 and in his place Mr. Peter Vang Christensen from Haldor Topsøe A/S has been appointed as a Director on October 16, 2014. The Board expresses its appreciation for the services rendered by the outgoing director and welcomes Mr. Peter Vang Christensen on the Board.

Changes in the Audit Committee

Pursuant to election of Directors, the Audit Committee was reconstituted in compliance with the requirements of the Code of Corporate Governance on April 30, 2014. Subsequently, Mr. Peter Vang Christensen was appointed as a member of the Audit Committee on October 27, 2014 in place of Mr. Jørgen Nergaard Gøl. The statutory composition of the Committee remained intact with this change.

The Audit Committee of the Board continued to perform its duties and responsibilities effectively as per its terms of reference duly approved by the Board. The Committee's composition and its terms of reference have also been attached to this report.

Changes in the Human Resource and Remuneration Committee

Pursuant to election of Directors, the Human Resource and Remuneration Committee was reconstituted in compliance with the requirements of the Code of Corporate Governance on April 30, 2014. Subsequently, Mr. Peter Vang Christensen was appointed as a member of the Human Resource and Remuneration Committee on October 27, 2014 in place of Mr. Jørgen Nergaard Gøl. The statutory composition of the Committee remained intact with this change.

The Human Resource and Remuneration Committee ensures that the human resource strategy is aligned to the overall corporate strategy and a remuneration policy that creates value for the shareholders. The Committee composition and its terms of reference have also been attached to this report.

Board and Committees' Meetings and Attendance

During the year under review, four meetings of the Board of Directors, two meeting of the Human Resource and Remuneration Committee and four meetings of the Audit Committee were held from January 01, 2014 to December 31, 2014. The attendance of the Board and Committee members was as shown in table:

Name of Director	Board Meetings	Audit Committee Meetings	HR and Remuneration Committee Meetings
Mr. Arif Habib	4	N/A	N/A
Mr. Fawad Ahmed Mukhtar	4	N/A	N/A
Mr. Fazal Ahmed Sheikh	4	2	N/A
Mr. Faisal Ahmed Mukhtar	2	2	1
Mr. M. Abad Khan	4	4	2
Mr. Jørgen Nergaard Gøl	2	-	-
Mr. Muhammad Kashif Habib	3	3	2
Mr. Tariq Jamali	2	2	N/A
Mr. Peter Vang Christensen	-	-	-

The leave of absence was granted to the members not attending the Board and Committee meetings.

Trading in Shares of the Company by Directors and Executives

No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary and their spouses and minor children.

The trade carried out by the executives whose basic salary exceeds five hundred thousand rupees in a financial year is as follows:

Name	Shares Bought	Shares Sold
Mr. Muhammad Wasim Anwar	-	2,000
Mr. Ayaz Ahmed	10,500	-

Pattern of Shareholding

The Pattern of shareholding and categories of shareholders of the Company as at December 31, 2014 have been annexed on page 121.

Corporate and Secretarial Compliance

The Company Secretary has furnished a Secretarial Compliance Certificate as part of the annual return filed with the registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984, Memorandum and Articles of Association of the Company and the listing regulations have been duly complied with.

Code of Conduct

As per the Corporate Governance guidelines, the Company has prepared a Code of Conduct and communicated throughout the Company apart from placing it on the Company's website.

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has upgraded both the long term entity rating to AA- (previously A+) and short term rating to A1+ (previously A1). JCR-VIS Credit Rating Company has already issued long term entity rating of AA- and short term rating of A1 to your Company. This reflects strong business performance of your Company on the back of diversified product mix with improved market standing.

Internal Audit

The Internal Audit function is effectively operating within the framework set out in Code of Corporate Governance and the charter defined by the Audit Committee of the Board of Directors. The Board relies on the inputs and recommendations of the Internal Audit function through its Audit Committee on the adequacy and effectiveness of internal controls in the organization and take appropriate measures.

External Auditors

M. Yousuf Adil Saleem & Company Chartered Accountants, retiring auditors of the Company, being eligible offer themselves for re-

appointment. The Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 12th Annual General Meeting, as auditors of the Company for the year ending December 31, 2015 at a fee to be mutually agreed.

Health, Safety and Environment

Health, Safety and Environment (HSE) has always been the hallmark of our operations, where we ensured all applicable parameters of industrial safety and EPA compliances, including training and capacity building of our people. Year 2014 was completed with best ever TRIR of 0.075 (Total Recordable Incident Rate) and 22.1 Million combined safe working hours. The Company has been certified on a number of ISO certifications for its operational excellence, including OSHA Process Safety Management (PSM) which was initiated in 2013 and is being implemented successfully. Target is to achieve the OSHA Compliant Site in 2015. Significant efforts were also made for energy conservation, CO_2 emissions, reducing water withdrawals and EPA compliant discharge.

(More details related to HSE are presented in the Sustainability chapter)

Information Technology

Information technology plays a vital role for bringing in efficiency, transparency, reducing wastes and effective controls in management, financial and operational controls for the organization. A number of initiatives were undertaken both for building IT capacities and in technology up gradation.

(More details on IT is given in chapter related to Company Overview)

Sustainability Initiatives and CSR

Fatima's activities are focused towards enhancing the quality of life of people, enriching and touching lives with particular focus on health, education, farmers and rural development. The Company's philosophy remains to conduct business in an ethical and responsible manner bringing development to the areas where it operates.

(More Details on CSR and sustainability initiatives are mentioned in Sustainability chapter)

Human Resource Management and Employees Relations

Fatima has been successful over the years because of the dedication and passion of our people. We continue to build our human resource capacities and prepare the next generation leadership at Fatima by in house capacity building and also by bringing in best in class talent in the organization with diversity and inclusion. At all levels we ensure to be compliant to prevailing labour laws, best practices for industrial relations, ensure good work environment for women, and even go beyond for workers welfare and safety at work in many ways.

(More details are available on Human Resource in Chapter related to Company Overview)

Acknowledgments

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	**Arif Habib**
Chief Executive Officer	Chairman

Lahore
March 26, 2015

Key Performance Indicators

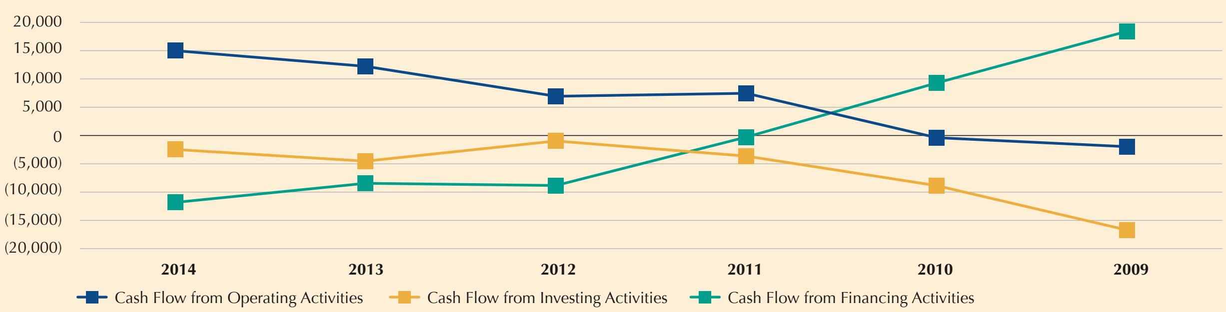
	Unit	2014	2013	2012	2011
PROFITABILITY					
Gross profit	%	**59.33**	58.85	58.49	67.67
EBITDA	%	**53.93**	53.80	55.35	66.48
Operating profit	%	**49.53**	49.23	50.32	61.69
Profit before tax	%	**39.12**	36.78	30.76	41.04
Net profit	%	**25.60**	23.95	20.70	27.75
Return on equity	%	**25.19**	24.49	21.11	14.68
Return on capital employed	%	**17.11**	14.48	10.38	6.36
Return on total assets	%	**11.14**	10.02	8.04	5.39
LIQUIDITY / ACTIVITY					
Current ratio	Times	**0.97**	0.81	0.68	0.84
Quick / Acid test ratio	Times	**0.79**	0.63	0.47	0.71
Debt to Assets	Times	**0.56**	0.59	0.62	0.63
Cash from operations to sales	Times	**0.41**	0.37	0.24	0.50
Inventory turnover	Times	**5.46**	5.29	6.58	3.64
Stock holding period	Days	**66.80**	68.98	55.45	49.72
Fixed assets turnover	Times	**0.53**	0.49	0.43	0.22
Total assets turnover	Times	**0.44**	0.43	0.39	0.20
CAPITAL STRUCTURE					
Debt : Equity		**39:61**	47:53	52:48	`57:43
Interest cover	Times	**4.76**	3.96	2.57	2.99
Financial Leverage	Times	**0.66**	0.94	1.27	1.42
Debt service coverage	Times	**2.01**	2.18	1.86	3.22
Total liabilities to net worth	Times	**1.26**	1.44	1.63	1.72
Weighted average cost of debt	%	**11.46**	11.98	14.83	15.91
INVESTMENT / MARKET					
Market price per share	Rs	**35.77**	28.56	26.40	22.92
Book value per share	Rs	**17.50**	15.60	13.79	14.03
Market to book value per share	Times	**2.04**	1.83	1.92	1.63
Basic earnings per share	Rs	**4.41**	3.82	2.86	1.90
Diluted earnings per share	Rs	**4.41**	3.82	2.86	1.85
Price earning	Times	**8.11**	7.48	9.23	12.06
Dividend per share - proposed	Rs	**2.75**	2.50	2.00	1.50
Dividend cover	%	**160.31**	152.80	142.78	127.00
Dividend yield	%	**7.69**	8.75	7.58	6.54
Dividend payout	%	**62.38**	65.44	69.93	78.95

Cash Flows Summary

PKR in Million	2014	2013	2012	2011	2010	2009
Cash flows from Operating Activities						
Cash generated from / (used in) operations	**19,438**	18,725	13,770	10,922	(323)	(1,948)
Finance costs paid	**(3,891)**	(5,865)	(6,532)	(3,166)	(9)	(7)
Taxes paid	**(528)**	(614)	(285)	(282)	(22)	(12)
Employee retirement benefits paid	**(18)**	(14)	(12)	(8)	(28)	(3)
Net cash inflow / (outflow) - Operating Activities	**15,000**	**12,231**	**6,941**	**7,466**	**(381)**	**(1,970)**
Cash flows from Investing Activities						
Additions in property, plant and equipment	**(2,812)**	(1,563)	(912)	(386)	(3,695)	(13,176)
Additions in intangible assets	**(2)**	(21)	(37)	-	-	-
Long term investments	**(1)**	-	(85)	-	-	-
Short term loan to associated company	**-**	(3,000)	-	-	-	-
Finance costs paid	**-**	-	-	(3,311)	(5,153)	(3,530)
Proceeds from disposal of property, plant & equipment	**-**	-	-	-	1	-
Net proceeds from disposal of short term investments	**-**	39	-	2	-	-
Net (increase) / decrease in long term loans & deposits	**(3)**	1	(6)	28	(8)	(3)
Profit received on short term loan and saving accounts	**352**	11	76	30	-	-
Net cash used in Investing Activities	**(2,466)**	**(4,532)**	**(965)**	**(3,637)**	**(8,855)**	**(16,709)**
Cash flows from Financing Activities						
Redemption of preference shares	**-**	-	(2,000)	-	-	-
Proceeds /advances received against preference shares	**-**	-	-	-	102	3,898
Proceeds from share deposit money	**-**	-	-	-	2,790	2,491
Cost of issue of share capital	**-**	-	-	-	(110)	-
Repayment of long term finance	**(5,875)**	(4,085)	(16,879)	-	-	-
Proceeds from long term finance	**1,000**	1,562	10,498	44	6,198	12,498
Dividend paid - ordinary shares	**(5,246)**	(4,197)	(2,993)	-	-	-
- preference shares	**-**	(1,337)	(149)	-	-	-
(Decrease) / Increase in short term finance - net	**(1,703)**	(388)	2,690	(316)	316	-
Decrease in bills payable	**-**	-	-	-	-	(464)
Net cash (outflow) / inflow - Financing Activities	**(11,824)**	**(8,445)**	**(8,832)**	**(273)**	**9,295**	**18,424**
Net increase / (decrease) in cash & cash equivalents	**711**	(746)	(2,855)	3,556	59	(255)
Cash and cash equivalents at beginning of the year	**238**	984	3,839	283	224	479
Cash and cash equivalents at end of the year	**949**	**238**	**984**	**3,839**	**283**	**224**

Cash Flows from Operating, Investing & Financing Activities

Rupees in Million



Vertical Analysis

Balance Sheet

	2014		2013		2012		2011		2010		2009	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Non current assets												
Property, plant and equipment	**68,823**	**82.8%**	67,588	84.4%	67,545	88.9%	68,116	89.2%	64,920	93.5%	54,978	96.1%
Intangible assets	**30**	**-**	43	0.1%	34	0.0%	-	-	-	-	-	-
Deferred tax asset	**-**	**-**	-	-	-	-	-	-	22	-	-	-
Long term investments	**86**	**0.1%**	85	0.1%	85	0.1%	-	-	-	-	-	-
Long term deposits	**13**	**-**	10	-	11	-	5	-	16	-	8	-
Total non current assets	**68,952**	**83.0%**	**67,726**	**84.6%**	**67,676**	**89.0%**	**68,121**	**89.2%**	**64,958**	**93.5%**	**54,986**	**96.1%**
Current assets												
Stores and Spares	**4,090**	**4.9%**	3,850	4.8%	3,231	4.3%	1,931	2.5%	2,479	3.6%	1,143	2.0%
Stock in trade	**2,681**	**3.2%**	2,702	3.4%	2,508	3.3%	1,215	1.6%	540	0.8%	-	-
Trade debts	**448**	**0.5%**	99	0.1%	138	0.2%	196	0.3%	257	0.4%	-	-
Short term loan to associated company	**3,000**	**3.6%**	3,000	3.7%	-	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	**3,000**	**3.6%**	2,456	3.1%	1,468	1.9%	1,045	1.4%	940	1.4%	849	1.5%
Cash and bank balances	**949**	**1.1%**	238	0.3%	984	1.3%	3,839	5.0%	283	0.4%	224	0.4%
Total current assets	**14,169**	**17.0%**	**12,346**	**15.4%**	**8,329**	**11.0%**	**8,226**	**10.8%**	**4,499**	**6.5%**	**2,216**	**3.9%**
Total assets	**83,121**	**100%**	**80,072**	**100%**	**76,005**	**100%**	**76,347**	**100%**	**69,457**	**100%**	**57,202**	**100%**
Capital and reserves												
Issued, subscribed and paid up capital	**21,000**	**25.3%**	21,000	26.2%	21,000	27.6%	20,000	26.2%	20,000	28.8%	18,000	31.5%
Preference shares	**-**	**-**	-	-	-	-	4,000	5.2%	4,000	5.8%	-	-
Share premium	**1,790**	**2.2%**	1,790	2.2%	1,790	2.4%	790	1.0%	790	1.1%	-	-
Post retirement benefit obligation reserve	**(23)**	**0.0%**	(14)	0.0%	-	-	-	-	-	-	-	-
Accumulated profit / (loss)	**13,990**	**16.8%**	9,983	12.5%	6,158	8.1%	3,263	4.3%	(531)	-0.8%	(257)	-0.4%
Total capital and reserves	**36,757**	**44.2%**	**32,759**	**40.9%**	**28,948**	**38.1%**	**28,053**	**36.7%**	**24,259**	**34.9%**	**17,743**	**31.0%**
Non current liabilities												
Long term finance	**17,335**	**20.9%**	22,647	28.3%	27,024	35.6%	34,457	45.1%	37,446	53.9%	30,846	53.9%
Deferred liabilities	**14,421**	**17.3%**	9,391	11.7%	4,844	6.4%	1,809	2.4%	74	0.1%	54	0.1%
Dividend and markup payable to related parties	**-**	**-**	-	-	2,918	3.8%	2,217	2.9%	844	1.2%	-	-
Advance against preference shares	**-**	**-**	-	-	-	-	-	-	-	-	3,898	6.8%
Total non current liabilities	**31,756**	**38.2%**	**32,038**	**40.0%**	**34,785**	**45.8%**	**38,483**	**50.4%**	**38,364**	**55.2%**	**34,798**	**60.8%**
Current liabilities												
Trade and other payables	**7,374**	**8.9%**	6,651	8.3%	4,997	6.6%	4,651	6.1%	3,704	5.3%	1,662	2.9%
Accrued finance cost	**259**	**0.3%**	383	0.5%	499	0.7%	1,891	2.5%	2,749	4.0%	2,596	4.5%
Short term finance - secured	**600**	**0.7%**	2,303	2.9%	2,690	3.5%	-	-	316	0.5%	-	-
Current portion of long term finance	**6,375**	**7.7%**	5,938	7.4%	4,085	5.4%	3,033	4.0%	-	-	402	0.7%
Provision for taxation	**-**	**-**	-	-	-	-	236	0.3%	65	0.1%	-	-
Total current liabilities	**14,608**	**17.6%**	**15,275**	**19.1%**	**12,272**	**16.1%**	**9,811**	**12.9%**	**6,834**	**9.8%**	**4,661**	**8.1%**
Total liabilities and equity	**83,121**	**100.0%**	**80,072**	**100.0%**	**76,005**	**100%**	**76,347**	**100%**	**69,457**	**100%**	**57,202**	**100.0%**

Horizontal Analysis

Balance Sheet

	2014	14'vs13'	2013	13'vs12'	2012	12'vs11'	2011	11'vs10'	2010	10'vs09'	2009
PKR in Million	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Non current assets											
Property, plant and equipment	**68,823**	**1.8%**	67,588	0.1%	67,545	-0.8%	68,116	4.9%	64,920	18.1%	54,978
Intangible assets	**30**	**-29.6%**	43	26.1%	34	-	-	-	-	-	-
Deferred tax asset	**-**	**-**	-	-	-	-	-	-	22	-	-
Long term investments	**86**	**0.7%**	85	-	85	-	-	-	-	-	-
Long term deposits	**13**	**29.6%**	10	-9.8%	11	107.3%	5	-65.7%	16	100.0%	8
Total non current assets	**68,952**	**1.8%**	**67,726**	**0.1%**	**67,676**	**-0.7%**	**68,121**	**4.9%**	**64,958**	**18.1%**	**54,986**
Current assets											
Stores and spares	**4,090**	**6.2%**	3,850	19.2%	3,231	0.0%	3,231	30.3%	2,479	116.9%	1,143
Stock in trade	**2,681**	**-0.8%**	2,702	7.7%	2,508	0.0%	2,508	364.4%	540	-	-
Trade debts	**448**	**352.0%**	99	-28.4%	138	0.0%	138	-46.1%	257	-	-
Short term loan to associated company	**3,000**	**-**	3,000	-	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	**3,000**	**22.2%**	2,456	67.3%	1,468	0.0%	1,468	56.1%	940	10.7%	849
Cash and bank balances	**949**	**298.2%**	238	-75.8%	984	0.0%	984	247.8%	283	26.3%	224
Total current assets	**14,169**	**14.8%**	**12,346**	**48.2%**	**8,329**	**0.0%**	**8,329**	**85.1%**	**4,499**	**103.0%**	**2,216**
Total assets	**83,121**	**3.8%**	**80,072**	**5.4%**	**76,005**	**-0.6%**	**76,450**	**10.1%**	**69,457**	**21.4%**	**57,202**
Capital and reserves											
Issued, subscribed and paid up capital	**21,000**	**-**	21,000	-	21,000	5.0%	20,000	-	20,000	11.1%	18,000
Preference shares	**-**	**-**	-	-	-	-	4,000	-	4,000	-	-
Share premium	**1,790**	**-**	1,790	-	1,790	126.6%	790	-	790	-	-
Post retirement benefit obligation reserve	**(23)**	**64.28%**	(14)	-	-	-	-	-	-	-	-
Accumulated profit / (loss)	**13,990**	**40.0%**	9,983	61.9%	6,158	88.7%	3,263	-714.5%	(531)	106.6%	(257)
Total capital and reserves	**36,757**	**12.2%**	**32,759**	**13.2%**	**28,948**	**3.2%**	**28,053**	**15.6%**	**24,259**	**36.7%**	**17,743**
Non current liabilities											
Long term finance	**17,335**	**-23.5%**	22,647	-16.2%	27,024	-21.6%	34,457	-8.0%	37,446	21.4%	30,846
Deferred liabilities	**14,421**	**53.6%**	9,391	93.9%	4,844	167.8%	1,809	2344.4%	74	37.0%	54
Dividend and markup payable to related parties	**-**	**-**	-	-	2,918	31.6%	2,217	162.7%	844	-	-
Advance against preference shares	**-**	**-**	-	-	-	-	-	-	-	-	3,898
Total non current liabilities	**31,756**	**-0.9%**	**32,038**	**-7.9%**	**34,785**	**-9.6%**	**38,483**	**0.3%**	**38,364**	**10.2%**	**34,798**
Current liabilities											
Trade and other payables	**7,374**	**10.9%**	6,651	33.1%	4,997	7.4%	4,651	25.6%	3,704	122.9%	1,662
Accrued finance cost	**259**	**-32.5%**	383	-23.2%	499	-73.6%	1,891	-31.2%	2,749	5.9%	2,596
Short term finance - secured	**600**	**-74.0%**	2,303	-14.4%	2,690	-	-	-	316	-	-
Current portion of long term loans	**6,375**	**7.4%**	5,938	45.3%	4,085	34.7%	3,033	-	-	-	402
Provision for taxation	**-**	**-**	-	-	-	-	236	263.4%	65	-	-
Total current liabilities	**14,608**	**-4.4%**	**15,275**	**24.5%**	**12,272**	**25.1%**	**9,811**	**43.6%**	**6,834**	**46.6%**	**4,661**
Total liabilities and equity	**83,121**	**3.8%**	**80,072**	**5.4%**	**76,005**	**-0.4%**	**76,347**	**9.9%**	**69,457**	**21.4%**	**57,202**

Vertical Analysis

Profit and Loss Account

	2014		2013		2012		2011	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Sales	**36,169**	**100.00**	33,496	100.00	29,519	100.00	14,833	100.00
Cost of Sales	**(14,708)**	**-40.67**	(13,785)	-41.15	(12,252)	-41.51	(4,741)	-31.96
Gross Profit	**21,461**	**59.33**	19,711	58.85	17,266	58.49	10,092	68.04
Distribution Cost	**(1,449)**	**-4.01**	(1,430)	-4.27	(1,234)	-4.18	(338)	-2.28
Administrative Expenses	**(1,346)**	**-3.72**	(1,076)	-3.21	(739)	-2.50	(417)	-2.81
	18,666	**51.61**	17,205	51.36	15,293	51.81	9,337	62.95
Finance Cost	**(3,767)**	**-10.41**	(4,169)	-12.45	(5,774)	-19.56	(3,063)	-20.65
Other Operating Expenses	**(1,374)**	**-3.80**	(1,010)	-3.02	(506)	-1.71	(320)	-2.16
	13,525	**37.39**	12,026	35.90	9,013	30.53	5,954	40.14
Other Operating Income	**624**	**1.73**	295	0.88	67	0.23	134	0.90
Profit Before Tax	**14,149**	**39.12**	12,321	36.78	9,081	30.76	6,088	41.04
Taxation	**(4,891)**	**-13.52**	(4,298)	-12.83	(2,969)	-10.06	(1,971)	-13.28
Profit for the year	**9,258**	**25.60**	**8,022**	**23.95**	**6,111**	**20.70**	**4,117**	**27.76**

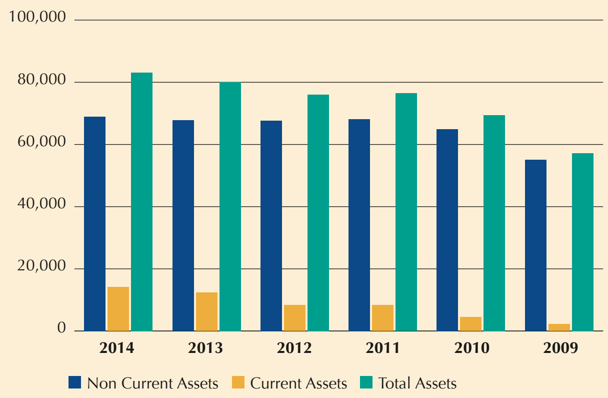
Horizontal Analysis

Profit and Loss Account

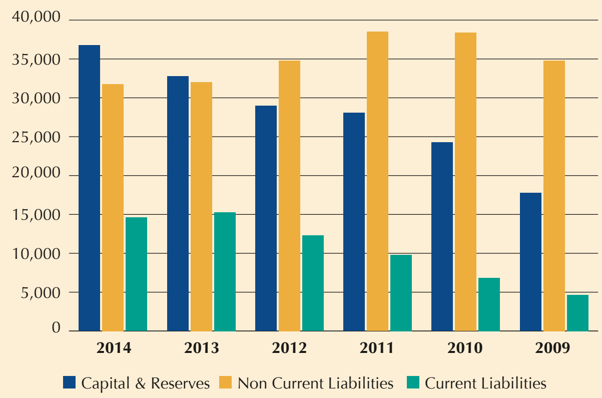
	2014	14'vs13'	2013	13'vs12'	2012	12'vs11'	2011
PKR in Million	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Sales	**36,169**	**8%**	33,496	13%	29,519	99%	14,833
Cost of Sales	**(14,708)**	**7%**	(13,785)	13%	(12,252)	158%	(4,741)
Gross Profit	**21,461**	**9%**	19,711	14%	17,267	71%	10,092
Distribution Cost	**(1,449)**	**1%**	(1,430)	16%	(1,234)	265%	(338)
Administrative Expenses	**(1,346)**	**25%**	(1,076)	46%	(739)	77%	(417)
	18,666	**8%**	17,205	12%	15,294	64%	9,337
Finance Cost	**(3,767)**	**-10%**	(4,169)	-28%	(5,774)	88%	(3,063)
Other Operating Expenses	**(1,374)**	**36%**	(1,010)	100%	(506)	58%	(320)
	13,525	**12%**	12,026	33%	9,014	51%	5,954
Other Operating Income	**624**	**112%**	295	340%	67	-50%	134
Profit Before Tax	**14,149**	**15%**	12,321	36%	9,081	49%	6,088
Taxation	**(4,891)**	**14%**	(4,298)	45%	(2,970)	51%	(1,971)
Profit for the year	**9,258**	**15%**	**8,022**	**31%**	**6,111**	**48%**	**4,117**

Graphical Presentation

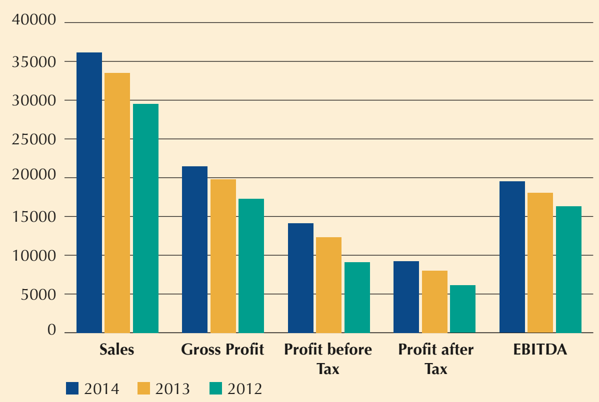
Balance Sheet Analysis (Assets)
Rupees in Million



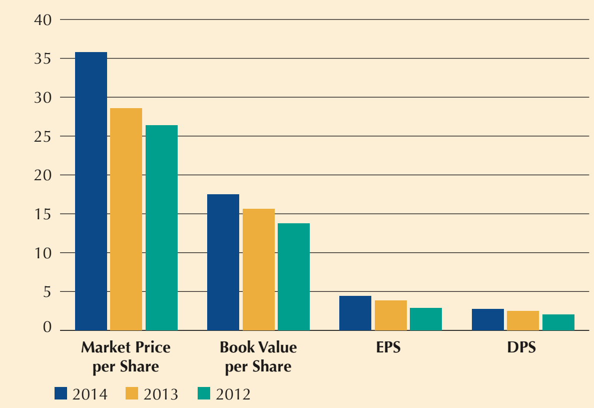
Balance Sheet Analysis (Equity & Liabilities)
Rupees in Million



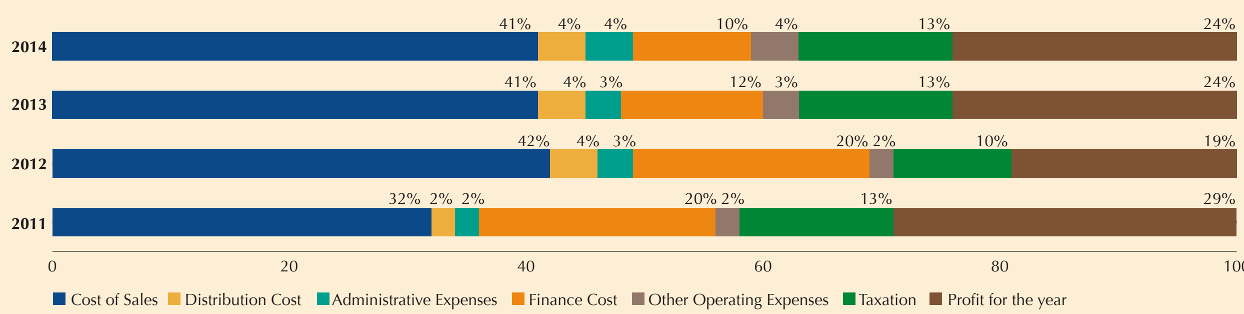
Sales & Margin
Rupees in Million



Market Price, Book Value, Earnings & Dividend Per Share
Rupees



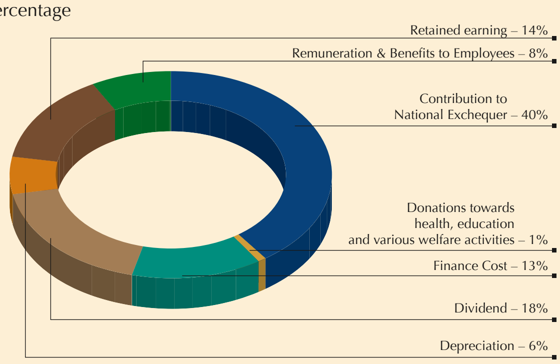
Profit and Loss Analysis
Percentage



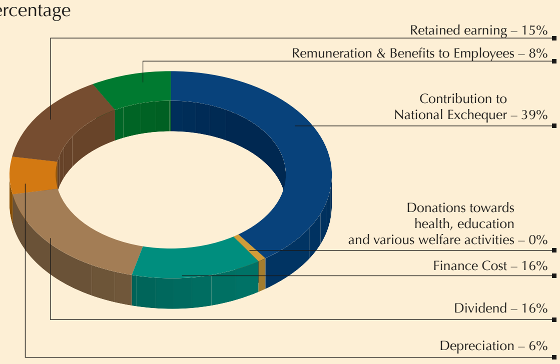
Wealth Creation and Distribution

	2014		2013	
	PKR Million	**%**	**PKR Million**	**%**
Wealth Generated				
Sales Including GST	**42,625**	**150**	39,271	152
Other Income	**624**	**2**	295	1
	43,249	**152**	39,566	153
Materials & Services Purchased	**14,825**	**52**	13,781	53
Value Addition	**28,425**	**100**	**25,785**	**100**
Wealth Distributed				
Remuneration & Benefits to Employees	**2,307**	**8**	1,944	8
Contribution to National Exchequer (Income Tax and Sales Tax)	**11,347**	**40**	10,073	39
Donations towards health, education and various welfare activities	**154**	**1**	48	0
Finance Cost	**3,767**	**13**	4,169	16
Dividend on ordinary and preference shares	**5,250**	**18**	4,200	16
Retained for future growth				
Depreciation	**1,591**	**6**	1,529	6
Retained earning	**4,008**	**14**	3,822	15
	28,425	**100**	**25,785**	**100**

2014
Percentage



2013
Percentage



SWOT Analysis

S
Strengths

- Differentiated and diversified product portfolio, i.e. NP, CAN and Urea.
- Manufacturer of cost efficient substitute of DAP.
- Diversified pool of qualified and committed human resource.
- Growing Dealers Network.
- Largest Technical Support team and unique farmer and customer services.

W
Weaknesses

- No alternate to single source of natural gas supply.
- New Brand competing against established brands.
- Dependence on single source and imbalanced Logistics support.

O
Opportunities

- Potential to increase per acre consumption of fertilizers.
- Further strengthening of NP and CAN image compared to other fertilizers.
- Capacity enhancement through Revamp of Ammonia and other Plants.
- Government's refocus on incentivizing farmers to promote agriculture growth.
- International collaborations for business development.

T
Threats

- Climate changes and water scarcity impacting agriculture.
- Continuing energy crises.
- Volatile law and order situation.

Notice of 12th Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Thursday, April 30, 2015 at 10:30 a.m. at Royal Palm Golf and Country Club, 52-Canal Bank Road, Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 11th Annual General Meeting held on April 30, 2014.
2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' reports thereon for the year ended December 31, 2014.
3. To consider and approve final cash dividend for the year ended December 31, 2014 at Rs. 2.75 per share i.e., 27.5% as recommended by the Board of Directors.
4. To appoint Auditors for the year ending December 31, 2015 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s M. Yousuf Adil Saleem & Co. Chartered Accountants as external auditors.

Special Business

5. To consider and approve change in nature of PKR 3 Billion loan extended to associated Company namely Pakarab Fertilizers Limited from Short Term Loan to renewable limit in the nature of Running Finance Facility for period(s) of one year and to pass the following Special Resolution(s) with or without modification(s):

   "**Resolved** that the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 and "Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012" for extension of repayment period of Loan of Rs. 3 billion to Pakarab Fertilizers Limited for one year and for change of nature of Loan to renewable limit in the nature of Running Finance Facility to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.

   Resolved further that the secretary, the CFO and any director of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/ documents, and any ancillary matters thereto."

6. To consider and approve loan investment of an aggregate amount of PKR 500 Million in associated company namely Reliance Commodities (Pvt) Limited for period(s) of one year and to pass the following Special Resolution(s) with or without modification(s):

   "**Resolved** that the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 for providing a loan in one or more tranches as Running Finance Facility of up-to an aggregate amount of Rs. 500 million (Rupees Five Hundred Million Only) to Reliance Commodities (Pvt) Limited (RCL), an associated company, for a period of one year to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.

   Resolved further that the secretary, the CFO and any director of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/ documents, and any ancillary matters thereto."

Other Business:

7. To transact any other business with the permission of the Chair.

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting out the material facts concerning the special business is annexed herewith.

By order of the Board

Ausaf Ali Qureshi
Company Secretary

Lahore
April 08, 2015

Notes:

1. The Share Transfer Books of the Company will remain closed from April 24, 2015 to April 30, 2015 (both days inclusive). Transfers received in order at the office of our Share Registrar/Transfer Agent, Central Depository Company of Pakistan Limited by the close of business on April 23, 2015 will be treated in time for the aforesaid purpose.
2. A member entitled to attend and vote may appoint another member as his/ her proxy to attend and vote instead of him/her.
3. An individual beneficial owner of shares from CDC must bring his/ her original CNIC or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.
4. The members are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate,

if any, immediately to our Share Registrar/Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

Special notes to the Shareholders:

1. Transmission of Audited Financial Statements along with Notice of Annual General Meeting through E-mail:

Members are hereby informed that pursuant to SECP SRO 787(1)/2014 dated September 8, 2014, circulation of Audited Financial Statements and Notice of Annual General Meeting has been allowed in electronic format through email.

In compliance with the above requirements, members who wish to receive the Annual Report in electronic form may file an application as per the format provided on the Company's website (also annexed herewith) in compliance with the subject SRO. The members who provide consent to receive Annual Report through email can subsequently request a hard copy which shall be provided free of cost within seven days; however, the Company shall continue to send hard copy to all other members as per practice in vogue.

Members are also requested to intimate any change in their registered email address on a timely manner, to ensure effective communication by the Company.

2. Withholding Tax on Dividends:

Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) For filers of income tax returns: 10%

(b) For non-filers of income tax returns: 15%

To enable the Company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers are advised to make sure that their names are entered into ATL before the date of approval of the cash dividend i.e. April 30, 2015 otherwise tax on their cash dividend will be deducted @ 15% instead of 10%.

Please further note that according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Joint Holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold shares with joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar Central Depository Company of Pakistan Limited, CDC House, 99 — B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, in writing as follows:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must be reached to our Share Registrar by April 23, 2015, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

3. Submission of Copies of CNIC/ NTN:

The Securities and Exchange Commission of Pakistan (SECP) vide its SRO 779 (D/2011 dated August 18, 2011, SRO 831(0/2012 dated July 5, 2012 and SRO 19 (D/2014 dated January 10, 2014 has made it mandatory that the dividend warrants should bear the Computerized Identity Card Number (CNIC) of the registered member or authorized person, except in the case of minor(s) and corporate members. Therefore individual members or their authorized representatives who have not yet provided an attested copy of their valid CNICs to the Company/ Shares Registrar are requested to provide the same at their earliest to avoid any inconvenience.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. Central Depository Company of Pakistan Limited, Karachi. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.


FATIMA

Company Overview

Operations

"Fatima believes in continuous excellence, high end technology, and safe, efficient and lean manufacturing processes."

Manufacturing Overview

Total fertilizer production in 2014 was highest ever recorded so far. All Plants achieved their highest ever yearly productions and exceeded the budgeted targets.

Break-up of Finished Products is tabulated below:

Production (MT in '000')

	2014	2013	2012
CAN	433	419	374
NP	375	333	262
Urea	373	352	339
Total	**1,181**	**1,104**	**975**

Risk Analysis and Mitigation

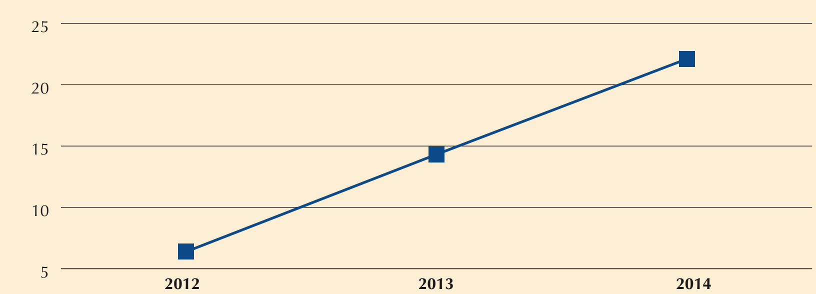
The Company focuses on safety at work as our top priority, and our Corporate Health, Safety and Environment (HSE) function has ensured top line processes and systems for HSE compliance. Year 2014 was completed with best ever TRIR of 0.075 (Total Recordable Incident Rate) and 22.1 Million combined safe working hours. The Company has been certified on a number of ISO certifications for its operational excellence, including OSHA Process Safety Management (PSM) which was initiated in 2013 and is being implemented successfully.

Papers Presented at International Forum

Mr. Shahzad Mehdi, Unit Manager Process has presented paper "Fatima Performance and CAN commissioning

Combined Safe Man Hours Yearly Progression

In Million Man Hours



challenges" in UHDE symposium. Members from all over the world has appreciated the efforts.

Mr. Muhammad Hashim, Sr. Engineer Ammonia Production wrote two papers this year. American Institute of Chemical Engineering (AIChE) selected both to present in AIChE Annual Meeting (November 16~21 2014) Atlanta Marriott Marquis.

1) Cold box operational problems shifting from bad mode to good mode operation.
2) Catacarb carry over incident causing gigantic production loss.

Mr. Muhammad Asif, Section Head Nitric Acid Production wrote a paper this year which was selected by ANNA jury to be presented in ANNA Conference (September 28 - October 3) in Tucson, Arizona. Title of the paper was "Sustainable Plant Operation with Hotspots on Burner Head".

Ms. Taibah Jaffery, Graduate Trainee Engineer from Off Site and Utilities represented the Company at the 2014 American Institute of Chemical Engineering (AIChE) Annual Meeting, (November 16-21 2014), Atlanta, Georgia, USA and presented the following topic at two sessions: "Sustainable Urea Manufacture using Novel Techniques Utilizing Alternative Raw Material Sources"

Production Facilities

"Our highly skilled engineers produce quality nutrients for enriching soils, on state of the art plants."

Fatima is Pakistan's first green field project which has materialized under the 2001 Fertilizer Policy of the Government of Pakistan. It is one of the largest fertilizer manufacturing complex that processes natural minerals and nitrogen into vital products for farmers and industrial customers.

Ammonia Plant

Based on Kellogg process, steam reforming of the natural gas, the Plant has an original designed production capacity of 1,500 MTPD.

Nitric Acid Plant

Nitric Acid is based on the latest dual pressure Uhde technology, producing 60% pure acid with a design capacity of 1500 MTPD (100% basis).

Urea Plant

Urea Plant is based on Stamicarbon's latest technology and has a design capacity of 1,500 MTPD.

Nitro Phosphate Plant

Nitro Phosphate produced at Fatima is a Prilled fertilizer, with production capacity of 1,200 MTPD.

Calcium Ammonium Nitrate (CAN) Plant

CAN Granulation Plant is designed and manufactured by Uhde, Germany, with production capacity of 1,400 MTPD.

CDM (Clean Development Mechanism)

Commissioned in July 2011 at Nitric Acid Plant. It protects the environment by controlling NOx emissions.

Our People

"A critical factor behind the success of Fatima is the dedication and commitment of our people. We consider our people as our greatest competitive advantage."

Human Resource is our most important asset. Fatima has a strong corporate culture and a diverse working environment, with a strong focus on the growth and development of our staff. Despite the market challenges, we have continued to invest in our talent pool to ensure that our current and future capabilities and needs are met. Fatima places a premium on developing and securing the next generation of leadership, investing in local and international exposure and in experiential opportunities.

Our employee activities are governed by our corporate values. We hire, develop and retain outstanding people with integrity and professional competence, willing to learn and add value at the same time to the growth of the Company. To pursue our journey towards living our corporate values and attaining the business aims of our organization; we continued to build our capacities, through training and engagement of managers.

High end focus was also given to industrial relations through awareness sessions conducted at our production facility for enhancing their understanding regarding labor laws and subsequent applications.

Our performance management process got further embedded, encouraging employees towards high performance through strengthened goal alignment and discussions on achievements and development needs. Additionally, our talent management process went further down into the organization, to promote a vision of increased transparency and fair development opportunities. To ensure that we are bringing the right talent and diverse workforce in the organization, we enlarged our talent search from all over Pakistan to seek best suited and dedicated professionals.

We take pride in our friendly work environment, effective employee communications, cordial working conditions for female staff and our continuous endeavor to ensure safety and employee welfare at all levels. In 2014, HR function continued the momentum of focusing towards sustaining a high performance culture within the Company. In 2015 and beyond we continue to bring highly satisfying employee experience in enhancing each and everyone's quality of life.

Training

The Company firmly believes in continued capacity building at all levels, bringing in more efficiency, advanced knowledge and updated skills for its employees.

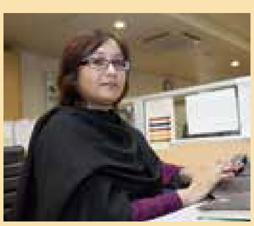
Trainings during the year

During the year number of trainings were conducted for various functions for capacity building and skills development of staff at all levels.

Overall Training Man-hours	2014	2013
Total man-hours (Functional)	27,102	34,885
Total man-hours (Managerial / Soft Skills)	3,936	3,056
Grand Total Man Hours	31,038	37,941

2014 - Employee Turnover

The employee turnover of the Company has been around 5.3% during the reporting period which shows our commitment and employee friendly work environment for talent retention.



"Having recently moved to Pakistan, and received two job offers from local companies; it was a challenging career decision. Now that I look back, working for Fatima has been hands on, a steep learning curve with numerous opportunities for me to contribute positively to the business, its people and serve the wider economy. With a collective team effort at all levels, this professional journey has certainly been full of exciting challenges…a decision that certainly has been worthwhile."

Ayesha Shakoor

Financial Management and Controls (FMC)

"We believe in transparency in disclosure and effective financial controls to enable sound decision making at all levels, optimizing efficiency and bringing value to the shareholders."

The mission of FMC is "to drive sound business decision making and innovative planning to optimize profitable growth, cash flow and total return to shareholders, with effective controls and transparency in disclosures". 2014 saw significant improvement in processes, which has provided us a management framework to deliver the full capability of our role across the organization, with the necessary speed and discipline in execution.

At Fatima we believe that there is a strong correlation between high performing FMC Function and high performing businesses. During 2014, while focusing on transparency in disclosures and Compliance with Corporate Governance, FMC continued adding value to the Company by cost saving initiatives and strengthening internal controls. To ensure achievement of business targets, accepting it as focal responsibility, FMC team successfully played its role by guiding cross functional teams, leading towards implementation of Monthly Business Plans and Period End Closing projects.

To become a reference for financial performance, we are building a high performing FMC function that is fully aligned to the business strategy. During the reporting period, we continued to train our people on soft skills focusing on developing the right behaviors to act as strong business partners. The strength of FMC contribution is very much dependent on our people. We hire, develop and retain outstanding people with highest integrity. Programs like hiring of Management Trainee Officers (MTO's) from top universities of the country, upgrading ERP skills and specific knowledge trainings sessions along with retention of key employees having most superior professional qualifications like CA, ACCA, CMA, etc. are some of the positive indicators of improving the overall standards of FMC function of the organization.

Internal Audit Division

An Internal Audit function is effectively operating within the framework set out in Code of Corporate Governance and the charter defined by the Audit Committee of the Board of Directors.

The Internal Audit function is progressing from a conventional function into a business partner and advisory role through pro-active approach towards effective corporate governance by adding value in the business process and creating synergies at the group level.

The function has effectively developed and promulgated the "Whistle Blowing Policy" during the year and acts as custodian of the same, resulting in an enhanced sense of ownership, transparency and integrity amongst the employees.

The function is effectively utilizing risk control matrix, to prioritize and develop its annual plan and to strengthen the internal controls through periodic reviews of all the functions in the organization. The review reports with recommendations are submitted to audit committee of the board and the implementation is ensured through vigorous follow-ups while regulatory and financial reporting compliance are ensured through independent reviews and coordination with External auditors.

The Board relies on the inputs and recommendations of the Internal Audit function through its Audit Committee on the adequacy and effectiveness of internal controls in the organization and take appropriate measures.

Marketing and Sales

"Fatima's business model is deeply committed to improving the lives of farmers and playing a substantial role in increasing the productivity of the agriculture sector of Pakistan."

Fatima's business model is deeply committed to improving the lives of farmers and playing a substantial role in increasing the productivity of the agriculture sector of Pakistan. In view of this, a number of Marketing, Technical and Channel initiatives were rolled out during 2014. There was continued focus on weak districts and regions and market storming was carried out in the identified areas. Our distribution network was further strengthened to ensure product availability throughout the country, with the dealer network growing by 9%. The Company developed and delivered effective above the line and below the line advertising and promotional campaigns, that were geared to target the maximum number of consumers and promote a differentiated image of our product range. Furthermore, our Technical Services Team continued its Farmer Outreach Program through increased farm visits, meetings and field demonstrations to educate them about our unique product portfolio and its positive benefits for yield and soil improvement. We continued to collaborate with various Government and Private Agriculture Institutions for research and development on the balanced use of fertilizers and increased yields and profitability for the agricultural sector.

The "Sarsabz" Call Centre, established in 2012 has been a pioneering initiative in the fertilizer business, which grew both in terms of capacity and service delivery. The aim for this initiative is to provide a one stop solution for our customers, and the same was expanded further in 2014. In addition to resolving the issues and queries raised by our business associates, we became the first fertilizer company to launch the farmer free advisory service and helpline, called 'Sarsabz Pakistan' to provide guidance and advice to farmers on improved farm operations. It has gathered momentum as awareness rose in 2014. Apart from farmer calls, the Sarsabz call centre also commenced direct contact with them promoting the Company's products and image.

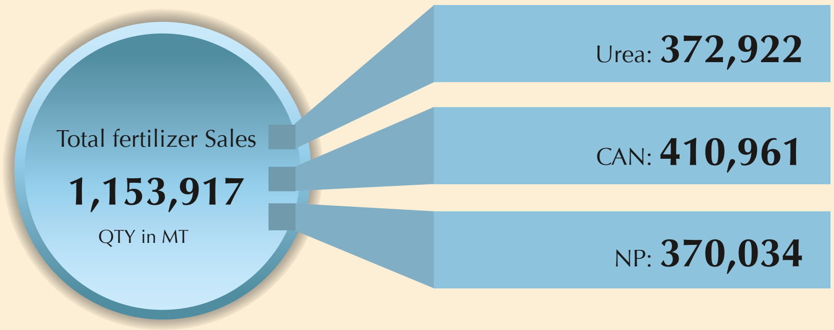
Fatima Fertilizer was the title sponsors of Pakistan's largest agriculture exposition for the second successive year i.e. "Dawn Sarsabz Agri Expo" 2014. This agriculture exposition was an interactive platform which enabled us to touch base with our consumers directly. The event had the participation of the major players from all sectors of the agriculture industry. Fatima Fertilizer's stall exhibited the theme of 'Sarsabz Pakistan Khushaal Pakistan' meaning "Green Pakistan – Prosperous Pakistan. The stall was designed to ensure interactive sessions with the farmers through technical presentations. Farmers were further acquainted with the "Sarsabz" brand and our product portfolio through relevant technical literature at the stall. Technical seminars were executed to disseminate information on a wide array of topics, encompassing agriculture productivity for food security, the role of agriculture markets in the value chain and the role of innovation in integrated farming.

Fatima is also the first fertilizer company to launch a comprehensive product stewardship program, under the Protect and Sustain Program of International Fertilizer Association (IFA). This program envisages safe handling of the product through its lifecycle, ensuring proper storage of the product at the plant sites, in-transit safety, record keeping at warehouses and dealer shops, avoiding misuse of product in compliance with government regulations and finally, the balanced and efficient use of fertilizer through proper dosage and timely application. Over 2000 dealers have been educated on the safe handling, storage and usage of the product. Furthermore, over 650 audits have been conducted for the dealer shops all over the country. To fully strengthen this program and to ensure that the right product reaches the farmer, Fatima Fertilizer took a major initiative by introducing safety and security seals on all NP bags in 2014.

As a consequence of our Marketing initiatives, the "Usage and Attitude Study" of 2013 confirms that the brand recall and brand awareness has increased significantly, in a short span of four years since the launch. Similarly, the dealer research on evaluating their perception of the Company has demonstrated consistent improvement in all key parameters of dealer loyalty.

Marketing and Sales

Products and Services



Fertilizers

Fertilizers are a source of essential plant nutrients, used to meet the nutrient requirement of crops and to sustain soils. Soils in Pakistan are inherently deficient for major plant nutrients i.e. N, P and K. In these conditions, without balanced and right fertilizer application, desired yield levels to meet the food, feed and fibre requirements of our country, cannot be achieved.

Fatima Fertilizer Company Limited produces Sarsabz Nitro Phosphate (NP), Sarsabz Urea and Sarsabz Calcium Ammonium Nitrate (CAN).

Sarsabz Nitrophos (NP)

In calcareous alkaline soils of Pakistan, fertilizers having acidic reactions give better return for their low P fixation and low N volatilization losses. NP fertilizers have acidic pH value, which restricts P fixation. Resultantly water soluble P remains available for a longer period, which contributes for higher P use efficiency in comparison to other P fertilizers.

Sarsabz Nitrophos (NP)
22% Nitrogen - 20% Phosphorus (P2O5)

Sarsabz Urea

Urea is the most concentrated source of Nitrogen nutrient and thus widely used in the agriculture sector.

Sarsabz Urea - 46% Nitrogen

Sarsabz CAN

Sarsabz Calcium Ammonium Nitrate (CAN) is a granulated Nitrogenous fertilizer that has Ammonia and Nitrate form of N in balanced ratios, which contributes for higher N use efficiency due to minimal losses. CAN fertilizer also contains 9% to 10% water soluble Calcium, which improves resistance against diseases, crop lodging and also improves Potash uptake in alkaline soil conditions.

Sarsabz Calcium Ammonium Nitrate (CAN)
26% N (Dual Nitrogen) - 13% Nitrate and 13% Ammonical

Industrial Solutions

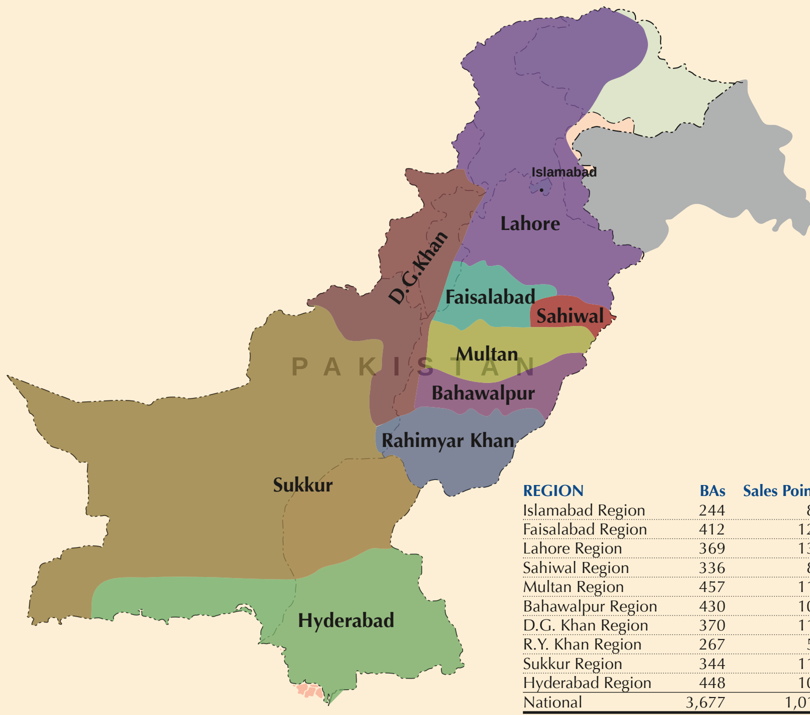
As a leading fertilizer manufacturer, Fatima has a strong production base for Nitric Acid.

Nitric Acid

Nitric Acid is an almost transparent, strong acid. It is a basic material for manufacturing of NP and CAN fertilizers and it is used in a number of industrial processes as an oxidizing agent.

Supply Chain

"Supply Chain is committed to enhance its sustainability by improving efficiencies and effectiveness across our value stream."



REGION	BAs	Sales Points
Islamabad Region	244	83
Faisalabad Region	412	124
Lahore Region	369	135
Sahiwal Region	336	80
Multan Region	457	117
Bahawalpur Region	430	104
D.G. Khan Region	370	110
R.Y. Khan Region	267	52
Sukkur Region	344	110
Hyderabad Region	448	101
National	3,677	1,016

This focus has helped in reducing our operational cost and enhancing competitiveness. We are working to increase eco-efficiency and reduce our environmental footprint, ensuring a safer work place. This translates into getting things right the first time and it leads to higher quality products, improved customer relationships and happier consumers.

Putting the consumer and customer at the center of all our efforts, we have safely delivered 1,153,917MT of products in 2014, thus enabling wider and deeper distribution of our products. We have redesigned our route-to-market with a focus of ensuring 'one face to the customer' and aligned ourselves with evolving business strategies and objectives to support profitable growth.

Distribution Networks

As part of our ongoing capability development we have finalized our future Supply Chain foot print. This will guarantee the required capacity to manage our operations in the future

We have also increased our focus on people development under the vision of "Continuous Excellence", where we endeavor to enhance our efficiency, transport safety, economy, distribution and outreach. This focus on continuous excellence emphasizes on alignment, compliance and engagement at all levels to ensure sustainable performance.

The role of Distribution Function has become even more challenging with volume growth and higher complexity of business in this competitive environment. We have further improved our Distribution Function in 2014 to address these challenges and enhance its ability to deliver competitive advantage.

Technical Services

Fatima offers wide range of services and support to farmers from education on best farming practices and research oriented best agricultural practices

Information Technology

Fatima puts a lot of focus on Information Technology (IT) which provides best in class computing and communication services, facilities and infrastructure for use by the employees of the group. The IT division uses the guidelines and best practices defined in ISO 27001 and the Information Technology Infrastructure Library (ITIL). Our continuous excellence for IT services enabled us to implement a change management procedure, ensures disaster recovery, conducts risk analysis, efficient incident management procedure, and a project management office to centrally manage all ongoing projects in the organization.

Sustainability Overview

Sustainability Overview

"We continue to work beyond Corporate Social Responsibility and strive for a higher level of sustainability for creating value for the shareholders and the communities we work and live with. We endeavor to bring continuous excellence in our operations, energy efficiency, reducing environmental footprint and bringing more safety and better occupational health standards at work."

Sustainability Strategy

Fatima's sustainability strategy incorporates the key principles of responsible business initiatives which focuses on the following parameters;

a) Ensuring Health, Safety and Environmental protection at its productions facilities, for its employees and for the communities it works and live with

b) Ensuring employee safety and welfare at all levels

c) Conserve energy, water and reduce carbon emissions

d) Supporting communities for socio-economic and environmental development, with particular focus on health and education, and by supporting projects through in-house resources and volunteer staff

e) By supporting other institutions and NGO's working for social sector

f) By raising awareness on social and environmental causes within and outside the Company

g) Top level involvement of the board of directors and key management in philanthropic initiatives

Key Sustainability Indicators (GRI 3.1 Specific)

Key performance indicator	GRI	2014	2013
Economic			
Total Fertilizer Sales	EC1	1,154 (MT in 000)	1,117 (MT in 000)
Net Profit	EC1	9,258 (PKR in Million)	8,022 (PKR in Million)
Revenue	EC1	36,169 (PKR in Million)	33,496 (PKR in Million)
Contribution to national exchequer		7,120 (PKR in Million)	6,508 (PKR in Million)
Rural development and responsible sourcing			
Farmers trained through capacity-building programmes (numbers)		375	302
Farms addressed for capacity building (numbers)		20,699	17,764
Water			
Total water withdrawal (Million m^3)	EN8	8,446,700	643,666
Environmental sustainability			
Materials			
Raw Material used (natural gas) (Metric Tons)	EN1	664,558	602,267
Materials for packaging purposes (Metric Tons)	EN1	3,267	2,957

Key performance indicator	GRI	2014	2013
Energy			
Total direct energy consumption (gigajoules)	EN3	18,552,406	23,615,699
Total direct energy consumption from renewable sources (% total direct)	EN3	N/A	N/A
Energy saved due to conservation and efficiency improvement	EN5	0.4GCAL/Day over all energy restored	-
Biodiversity			
Total size of manufacturing sites located in projected areas (hectares) working under clean development mechanism	EN11	947 acres.	947 acres.
Trees Planted		1,000	1,000
Emissions, Effluents and Waste			
Direct GHG emissions (Metric Tons CO_2eq)	EN16	481,894	133,103
Indirect GHG emissions (Million Tons CO_2eq)	EN16	N/A	N/A
Non hazardous Waste for disposal (Tons)	EN22	Lime: 130,560 Silica: 15,360	Lime: 93,667 Silica: 10,833
Environmental Sustainability Governance			
Human rights and compliance			
Total number of incidents of non- compliance with regulations and voluntary codes concerning marketing communications including advertising.	PR7	Nil	Nil
Total number of significant products recalls or incidents of non-compliance	PR2	Nil	Nil
Our People			
Total Workforce (number of employees)	LA1	856	798
Total rate of employee turnover (%)		5.3%	7.6%
Lost-time injuries and illnesses rate (per Million hours worked) (employees, on-site contractors and on-site members of public)	LA7	Nil	Nil
Total recordable injuries and illnesses rate (per Million hours worked) (employees, on-site contractors and on-site members of public)	LA7	0.07	0.12
Total number of fatalities (employees, on-site contractors and on-site members of public)	LA7	Nil	Nil
Man Hours of training per year (All functions)	LA10	31,038	37,941
Female staff at the head office	LA13	22.5%	-
Local Management Committee Members native to country in developing countries	EC7	100%	100%

Volunteer Reporting on GRI Initiative G3.1 Guidelines:

Unless stated otherwise, the selected performance indicators mentioned above are for the year ending 31 December 2014. The references in the GRI column on applicable indicators are voluntarily presented by Fatima as per the Global Reporting Initiative G3.1 guidelines.

Health, Safety and Environment

"At Fatima we believe that environmental protection is the essence of life and is the most important sustainability factor for our future generations, where we continue to demonstrate our commitment to process safety, occupational health and clean environment through measureable initiatives and investment in our operations."

Fatima considers the Health and Safety of employees and neighboring communities to be of prime importance. No other resource is so vital to the successful pursuit of our mutual goals and objectives, and where environmental protection remains the hallmark of our operational excellence.

We believe in protecting and preserving these resources as much as possible through a proactive and ongoing Safety and Loss Prevention Program. Safety is an integral part of all our operations.

We continue to achieve our safety goals and objectives through employee training, safety awareness, and employee participation.
The board of directors and the management put a very high focus on our HSE initiatives and full support is provided to achieve and accomplish our goals.

Bench Marking Global Standards

Fatima is a Company with a global ambition for excellence, growth and sustainability. We aim to bench mark the global industry standards, and take pride to mention that, the Company has been certified on following IMS standards:

1. Quality Management Systems (QMS) ISO 9001:2008
2. Environmental Management Systems (EMS) ISO 14001:2004 and
3. Occupational health and safety management systems OHSAS 18001:2007

IMS Certifications

In order to ensure sustainable growth, the Company made efforts and achieved the aforementioned standards. Achieving these environmental and occupational certification was just the first step taken towards making the Company eco-friendly, contributing towards our environment and ensures high quality safety standards. These project were completed utilizing our integral resources and through the utmost professional commitment of our own HSE team members.

Clean Development Mechanism (CDM)

Following the best global practices and worldwide concerns for greenhouse gas emissions in the modern industrial environment, Fatima as a good corporate citizen and also respecting the global protocols, entered into an agreement with N. Serve Environmental Services GmbH, a German Limited Liability Company, for development and implementation of a Clean Development Mechanism (CDM) project at its Plant located in Sadiqabad, which was completed in July 2011. The basic aim of this project is the abatement of N_2O and NOx emissions from the stack gases of HNO_3 plant.

CDM Data

Installation of Clean Development Mechanism (CDM) at Nitric Acid Plant has helped in significant reduction in GHGs emission. Data for year 2014 is as follows;

- TCO_2e abatement: 985,545
- TCO_2e venting: 5,489

(in Tons of CO_2 emissions)

Energy Conservation Initiatives

We believe that energy conservation does not only cater for environmental protection, instead it effects the whole value chain where the initiatives reduces costs, provide inputs for efficient operations and impact the cost of the product, which in turn benefits our customer. Following initiatives were planned and executed,

- Gas Turbine Generators revamping to reduce fuel consumption contributing towards reduced GHG Emissions.
- Process Optimization to cut down running hours for Polished Water Pumps and Demin water pumps ultimately reducing estimated power consumption up to 1430KWH/day.

- Reduction in power consumption by installing solar lights in township and some of the plant areas.
- Projects on reversal of steam and turbine condensates to design philosophy are being aligned to save operational costs and chemical consumptions, reducing natural resource (i.e. Natural Gas) consumption.
- Process Optimization to cut down pressure losses in lean solution circuit at Ammonia Plant, reducing estimated power consumption by 7200 KWH/day.
- Process Enhancement and Modifications for Ammonia feed pumps and Carbamate pumps at Urea plant to avoid an estimated preventable power consumption ranging 1500KWH/day.
- Reduction in effluents by developing recovery and reuse provisions of condensates from Ammonia plant at Urea PCT section saving an estimated loss of 7-10 Tons of Ammonia /day.
- Installation of new back pressure steam turbine at NP/ CAN Plants for an estimated energy recovery of 1.5-2 MWH.
- Process Optimization to cut down Ammonia venting from Ammonia storage ultimately reducing an estimated power consumption of 3500KWH/day.
- Steam Optimization at Ammonia Plant Compressor Turbine and insulation enhancement for MP header to reduce steam (GHG) venting by an estimated 10-20 Tons/day.

NOTE:

- The above mentioned energy conservation initiatives will indirectly reduce equivalent carbon emissions.
- Absolute figures of reduction are not yet available because all initiatives for measurement are in planning phase, whereas estimated figures of energy reduction are provided above.

Engaging Our People for Promoting Health, Safety and Environment

We believe that continuous engagement of our people is a dire necessity to promote and ensure higher standards of HSE at all levels For the purpose, annual awards were conducted as an incentive, comprehensive trainings were undertaken, new initiatives and periodic surveillance checks were made during the year which brought in fruitful results.

Annual HSE Awards

Annual HSE Awards were conducted by the HSE Department, to reward the HSE work related efforts of individuals and teams. Multiple categories were defined and the nominees were selected on the basis of their HSE performance throughout the year. It was an attempt to recognize the efforts of the most promising personnel, both from the management and staff was given the awards.

Health, Safety and Environment

Quarterly Surveillance Audits

Surveillance audits for HSE were conducted almost every quarter to ensure effective compliance, awareness, follow up, gap analysis, coordination and to check the HSE standards .These audits was successfully completed with minimum observations and zero nonconformity.

Building Capacities-HSE Training-2014

Training and capacity building has been the hall mark of the corporate Health, Safety and Environmental team, where we believe that effective and updated training are inevitable for implementation and awareness of higher HSE standards, and the more we train the better we shall be able to deliver. During the period in reporting, significant number of trainings were conducted, and the same bore excellent results on for our operations and HSE compliances.

Total participants (includes multiple trainings to same personnel): **4,334**
Total Man hours: **12,337**

Safe Driving Training

In the fast moving world, road transport plays a very vital role in people's safety, both at the office level and also for drivers engaged in service delivery, distribution, supply chain and logistics. Safe driving does not only brings in safety for people but also inculcates a culture of safety at work for the employees and even impact safe driving at home. Moreover, with safe driving there are less accidents, hence less damage to people as well as goods and transport vehicles.

Keeping in view the significance of road safety and safe driving, corporate HSE took an initiative to conduct "Safe Driving Training" of all Head office employees, Phase wise. The Company drivers were also trained and the program shall continue to reach supply chain and even our vendors, suppliers and distributors in the coming years.

Emergency Response System Revamp

Emergency Response System is amongst the top priority while dealing with Industrial safety, particularly fertilizer plants. The Company puts priority focus on safety of its people, where all the necessary processes needs to be in place, even revamped to ensure effectiveness. In lieu of OSHA's Process Safety Management System requirements, in-depth planning for potential emergencies is essential for ensuring effective response by site personnel.

During the reporting period, and as part of our continuous excellence program, we continued to revamp our processes for making the same more robust and compliant with the requirements of OSHA's Process Safety Management System. A detailed analysis was conducted by the corporate HSE team for the prevailing procedures, trainings, hardware and communication protocols; and comprehensive actions were taken for improving the Emergency Response System at site.

Safe Man hours Celebrations

On the successful achievement of every 2 Million Safe man hours, departmental level celebrations at site are conducted by the HSE team, where the employees are motivated to participate further towards the safe execution of jobs and are presented with incentive gifts.

Community Awareness and Emergency Response (CAER) Program

(Engaging with the neighborhood communities)

Community awareness is a key factor in maintaining public trust and confidence in the integrity of the Company operations. Trust and confidence are earned by open communication about performance with our employees and public and by involvement in the community in a manner consistent with social customs.

The Company launched its Community Awareness and Emergency Response (CAER) program to foster a strong relationship with surrounding communities, make them aware of hazards associated with our industry and train them to respond against emergencies.

The community members from the neighboring villages visited our plant site. A short plant tour along with a general safety awareness training followed by a quiz competition was also organized for the school children from the neighboring village.

Environmental Protection Measures (Impact of Our HSE initiatives)

Air Emissions

Our production facility has an emissions quality measurement program so as to identify the limits of pollution parameters in the ambient air in and around the plant. The stack emissions monitoring is done on monthly basis for the priority parameters in compliance with the requirements of National Environmental Quality Standards (NEQS) on self-basis, and Environment Protection Agency's (EPA) approved reputable third party monitoring and reporting basis. During the reporting period, all the parameters remained well below their limits specified in NEQS.

Noise

The design and operation of the production facility is such that the noise levels remain within the acceptable limits of the NEQS. Regular monitoring for noise levels is carried out at different points within the site to ensure compliance.

Biodiversity

There is no unique or natural habitat of internationally or locally recognized rare, threatened or endangered species around the immediate vicinity of the operations of our plant at Sadiqabad. There are no forests within about 100 km radius of the project site. Hence, there is no impact of our plant activities on the biodiversity of the surrounded area. A biodiversity park is being developed adjacent to Plant area to provide natural habitat to local / migratory birds.

Water

The Company has installed wastewater treatment facilities in the form of equalization basin to ensure that any water that is discharged from the facility is safe and does not pollute the region's water table. Self and EPA approved reputable third party monitoring of waste water from the equalization basin and from the final discharge point is done on monthly basis for the priority parameters in compliance with the requirements of NEQS. Part of waste water is used by our plant for watering own land and also supplied to neighboring farmers, which is making a positive impact on their farming yield.

Energy Conservation and Environmental beneficial activities

Technical monitoring of all points is a regular feature with different balances including mass, heat and steam balances of overall complex. This helps to optimize the operation in terms of energy efficiency / conservation.

Major modifications at NP Plant were executed to control emissions, and improvements have been implemented in scrubbers / stacks design which have helped to further decrease the emissions further.

In order to reduce the environmental burden, tree plantation was carried out in operational areas including neighboring township, where thousands of different flowers, trees, vegetation etc. were planted.

Annual Turn Around 2014 (Audits and Spot Awards)

HSE team conducted numerous Safety, Industrial Hygiene and Occupational Health Audits on regular basis. The Good HSE Performers were awarded with safety gifts at the spot (Spot Safety Awards). The aim of this intervention was to motivate the employees and involve them in HSE activities.

Institutional Collaborations with external organizations working for environment

World Wide Fund for Nature- Pakistan (WWF's) GREEN OFFICE INITIATIVE

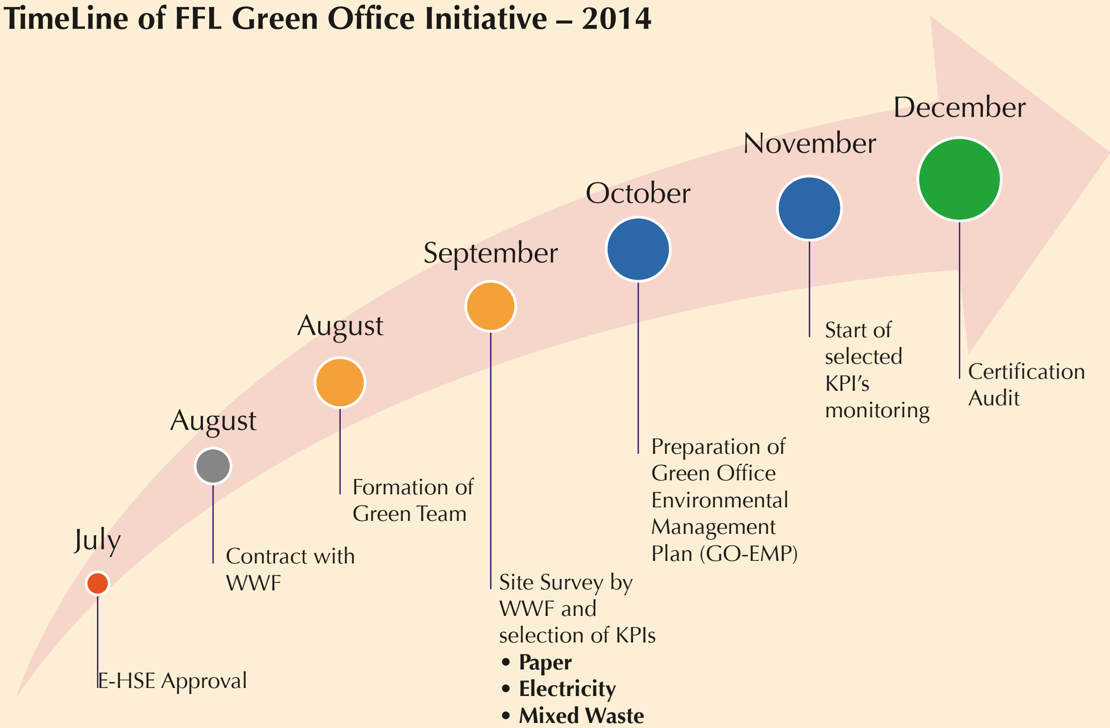
Keeping environmental protection at the core of our HSE activity, and for preserving clean environment for our future generations, we believe in protecting the environment and conserving our energy resources through efficient utilization of resources and effective management of waste and emissions As a part of this strategy, Fatima's plant site joined hands with WWF Pakistan in August to imply Green Office Initiative in office buildings. Total 07 office buildings were simultaneously covered in the initiative and were successfully certified on 15th December 2014. These included certification of various office at the plant sire, admin building, workshop offices, warehouse offices, Lab and TTC, fire station and Fatima head office building (which was certified as Green Office in December 2013).

After a joint site survey with WWF team, following KPIs were selected as part of the initiative, naming paper, electricity and mixed waste; and a number of other initiatives were put in place to monitor and control selected KPIs.

Through the Green Office Initiative, we have been able to develop an environment-conscious culture by which employees know that:

- Our actions have a direct impact on the environment.
- By being environmentally conscious we can preserve resources, save money, and reduce our carbon dioxide emissions.
- By making simple changes to our work habits, we can create big changes in the environment.

TimeLine of FFL Green Office Initiative – 2014



Tree Plantation

Fatima puts great importance on giving back to the environment and aims to fulfill its responsibility toward the environment. In this regard, approximately 1000 trees were planted in the year 2014. Employees at site were encouraged to participate in the activity.

Technical Services

Building better farmers and agricultural capacities

"Enhancing farm productivity and profitability by improving farmer's knowledge and perception on balanced fertilizer use."

We have a team of highly qualified and experienced Technical Services professionals of over 45 people, serving the farming community throughout the country. Our team is equipped with the latest scientific knowledge, updated time to time, about crop production and fertilizer management practices and balanced fertilizer use to restore soil fertility and enhance farm yields. Technical team uses state of the art methodologies and tools to educate the farming community for improving their knowledge to improve crop yields, farm income and profitability. Our team has close liaison with the government and private research institutes, seed and pesticide companies for day to day updates on new products and technologies which are used in the field.

Farmer Support and Education

At Fatima, we know our long-term success is linked to the success of the thousands of farmers who grow crops. That's why we work on-the-ground with farmers and educate them the proper use of fertilizers to help improve yields.

Services for the Farming Community

Farmers are regularly contacted by the Technical field staff through various means. The basic purpose of farmer meetings is to educate them on crop and fertilizer management to ensure maximum output. This educational program is run through well planned and targeted activities. Farmers are addressed through different processes those are explained below:

- Seminars for farmers
- Farmers' meetings
- Farm visits / individual contacts
- Product demonstrations and field days
- Research trials (fertilizer use efficiency)
- Team training
- Training of Allied Industry Field Staff
- Publication and distribution of technical literature
- Biological control services
- Soil sample analysis

Farmer Outreach Programme summary 2011 to 2014

Some of our key activities for farmers outreach are:

- Farmers Advisory Services: We are the first fertilizer company to launch a farmer advisory service and helpline to provide guidance and advice to farmers on improved farm operations.
- BIO-pest Control Lab: Fatima is amongst the leading fertilizer company in Pakistan to support biological pest control, which is low cost and environment friendly.
- Sarsabz Dawn Agri Expo and Conference: We remained a leading participant in technical seminars a at Pakistan's largest agriculture expo since last two years.

Tech Activities	2011	2012	2013	2014	Total
Farm Visits	12,000	17,000	17,764	20,699	67,463
Soil Samples	1,500	2,998	3,264	3,909	11,671
High Profile Meetings	50	114	57	63	284
Sugar Mills Staff Training	30	43	43	49	165
Agri staff Training	50	78	112	123	363
Field days	70	84	111	121	386
Field demo	100	124	156	182	562
Farmer Meetings	200	427	302	375	1304
Bio-lab-Cards (000 cards)	398	647	868	1,005	2,918

Institutional Collaborations with leading organizations for Agriculture and Farmers Capacity Building

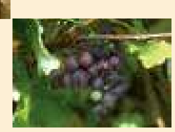
We continued to partner and engage with leading intuitions for agriculture and farmers development. Some of the key institutions we collaborated with are as follows:

- National Agriculture Research Center (NARC)
- University of Agriculture Faisalabad
- Rice Research Institute
- Central Cotton Research Institute Multan
- Ayub Agricultural Research Institute
- Pakistan Standards and Quality Control Authority
- Soil Sciences Society of Pakistan

Sarsabz Pakistan – Khushal Pakistan

(means Green and Prosperous Pakistan)

We developed and produced a 14 episode television program called “Sarsabz Pakistan, Khushal Pakistan” in collaboration with Pakistan Television Network-the largest viewed channel by farmers. The program featured top Pakistani agricultural scientists and experts for educating farmers on TV.



Social Support to Community

Fatima is committed to act as a responsible corporate citizen and will continue its corporate social responsibilities for the benefits of surrounding populations.

The Company ensures its key focus on health and education amongst other community support initiatives. Some of the key initiatives are as follows:

Fatima Welfare Fund

The Company believes in sustainable CSR and for ensuring the same, the Fatima Welfare Fund was created which generates revenue by cultivating the unutilized land, developing fish farms and donations from the management staff. Additional donations are also bridged by the Company for social support programs.

Education Support

Fatima believes that education is the most important factor for development of any community, and some of the current and future plans are as follows:

The Company has formulated a CSR education committee for enhancing education standards in the local area and for planning and executing CSR initiatives related to education;

- One local Feeder school was adopted in Jan 2013.The school is located in Alam Town Goth Machhi Sadiqabad. The Company provides for teachers' salaries, school building rent, power utilization and other allied support on regular basis from the Company's welfare fund.
- Two government run schools for enhancing education standards at APL (Ahmad Pur lama water well area) are supported for additional teachers provided by the Company. The Schools are as follows:
    - o Govt boys primary school Basti Jhak APL area.
    - o Govt boys primary school Basti Mallick Khari Mohammad APL area.
- Fatima's CSR is also supporting four schools through a renowned institutions "Care Foundation" in Sadiqabad area close to our operational facility. The teachers from Fatima Model School provide monitoring and capacity building strategy for these schools.
- A teachers training program for thirty school teachers of Care Foundation was conducted by Fatima school faculty members.
- One of our major project is the construction of Fatima Sarsabz Primary School. This particular school building will be built behind Fatima town ship. The construction of school has already started, and hopefully the school will be commissioned from the coming session. The cost of the project is approximately ten Million rupees being arranged by Fatima Welfare Fund.

Health Support Initiatives

Primary Health is also a need in time for the underprivileged communities and where Fatima plays an important role for managing and supporting the local communities through a basic health facility and by providing the following through its welfare fund:

- Medicines
- Medical Staff Salaries
- Vaccination (primarily for Hepatitis B and other key vaccines)
- Basic health care, advisory and emergency first aid

Institutional Collaborations for Social Sector Support

Fatima as a leading corporate citizen, believes that health, education and environmental development of the society is the responsibility of all public and private sector organizations, and each concern must contribute its share to the society. During the reporting period the Company contributed PKR 154 Million on CSR including donations to the following institutions mainly in the health, education and environment sectors for their good work in their respected fields;

- Mian Mukhtar A. Sheikh Trust
- Care Foundation
- University of Pennsylvania
- Institute of Business Administration Karachi
- Lahore University of Management Sciences
- Southern Punjab Flood Relief Program

- Shaukat Khanum Memorial Trust Hospital
- Sindh Institute of Urology and Transplantation
- The Patients Behbud Society for AKUH
- Layton Rahmatulla Benevolent Trust (LRBT)
- Children Welfare Society
- The Citizens Foundation
- Labard
- Oasis Trust
- SOS Children's Village Multan
- Haji Muhammad Asghar Ghurki Trust Hospital
- SAR Girls Elementary School
- Al-Shifa Trust
- Compass (Centre of Mentally and Physically Affected Special Students)
- University of Engineering and Technology
- Development in Literacy
- World Wide Fund for Nature-Pakistan (WWF-P)







Employee Engagement, Welfare and Volunteering

"We aspire to be the center of excellence, where our dynamic people lead in every sphere, from employee welfare and professional engagement to volunteering for community development."

Introducing Employee Volunteer Program (EVP)

Fatima believes that it is absolutely imperative to form a mutually beneficial relationship with its communities and to support them in economic development through corporate social investment initiatives. We are of the opinion that it is the duty of every employee to give back to the community by contributing to various social and developmental causes both on individual and collective levels.

The Employee Volunteer Program (EVP) provides the employees with an opportunity to contribute to various social causes that they support under the Company's sponsorship. Through this initiative, the Company is not just addressing various social issues by facilitating employee interest in helping their communities, but, also providing its employees an opportunity to grow as individuals.

Flood Relief Camps established by Fatima

"In this hour of need Fatima Group stepped in to support the flood affected personnel. Ration was provided to flood camp inhabitants near Multan Region. I volunteered to play my role by going to such camps and personally distribute the relief goods among the victims with Mr. Asif Nayab and Mr. Ahmad Nabi. May Allah accept our efforts and bless those troubled souls. Ameen."

Muhammad Usman Khan

Flood Relief Camps established by Fatima

"All the process was successfully done and we all volunteers are satisfied that ration was delivered to deserving families. It was a good example of Fatima regarding its CSR as well as a good experience / exercise for all the volunteers to help the needy families during the flood disaster."

Hafiz Shafiq

Engaging with SOS Children's Village

"I visited SOS Children's village in Oct 2014, through EVP program along with my colleagues Fahd Mirza and Asif Joyia. We felt proud of our association with SOS and were impressed with the good work of SOS and their history, vision, success stories and recent network of SOS villages in Pakistan. They provide shelter, food, clothes, education and environment to the future youth who are in need. Ms. Almas of SOS really appreciated Fatima's effort and our time with the kids. We left with a desire to visit them again."

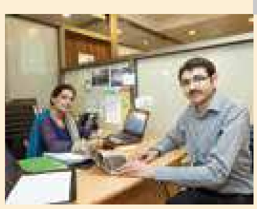
Mr. Sohail Shabbir

Employee Welfare

Fatima believes in its people as its key asset, both at the management and non-management levels and continues to ensure their welfare, capacity building and retention. The Company is fully compliant to the prevailing labour laws and goes much beyond to provide good work environment for its people.

Catering Hygiene Trainings for Catering Staff

Under OHIH program, Catering hygiene is one of the main features which need to be focused to sustain and improve employee health. Under this slogan, the catering staff working at Fatima's site is trained on regular basis to ensure better and hygienic food handling. A two-hour long training session was conducted by the HSE team for catering staff. Additionally, spot audits were conducted to check the catering hygiene are conducted on a regular basis.



Women Development and Gender Diversity

"Fatima is an equal opportunity employer and believes that women development and gender diversity is very important for developing a dynamic team."

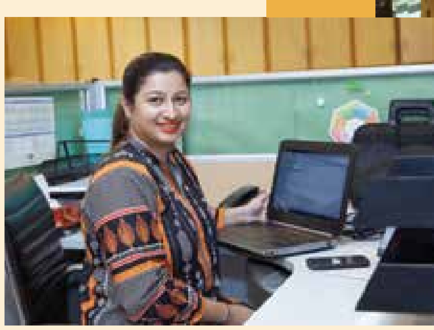
Wellness Session for Female Staff -2014

The first ever "Wellness Session" for Head Office was held on 17th December, 2014 by corporate HSE department. The session was for the ladies and the topic was "Bone Health and Osteoporosis". The aim was to enlighten employees about the importance of bone health. Good health is a big blessing and in our busy routine, it is very essential to take good care of our health, eat healthy, do rest and stay fit. Good health has a strong effect on employee's work, motivation and overall performance. The event included a talk on bone health and Osteoporosis by Dr. Zia Ul Hannan (company doctor). Bone density screening facility was also available for the attendees.

Ladies Trainings on Electrical and Kitchen Safety at Home

In order to make township ladies more aware of the dangers related to homes and to make them vigilant enough to take proper safety precautions to prevent unintentional injuries, our HSE Department arranged an awareness sessions on “Electrical and Kitchen Safety at home”.

In addition to this, ladies were trained on the Fire Extinguishers Operation and practical fire fighting training was also conducted.



About Our Reporting (Parameters)

This report contains the Directors' report to shareholders along with the audited financial statements as per the statuary requirements for disclosure for listed companies in Pakistan. Additionally, the report also contains the second voluntary reporting on Sustainability and is published as part with the Company Annual Report. In general the Sustainability highlights uses the G3.1 reporting framework issued by the Global Reporting Initiative (GRI) on volunteer basis and are aiming for a B Level report as per this framework. The Company also considered the requirements of Association of Chartered Certified Accountants (ACCA), World Wide Fund for Nature - Pakistan (WWF-P) and Pakistan Environment Reporting Awards (PERA) in order to adopt best sustainability reporting practices within the country.

Report Boundary

This report covers the fertilizer production facility in Sadiqabad and the Corporate Head Office in Lahore. The text and statistics in this report covers sites operated by Fatima Fertilizer Company Limited.

Reporting Period

The reporting period is January 01, 2014 to December 31, 2014 and the data has mainly been obtained from Finance, Operations, Marketing and Sales, Human Resources (HR), Corporate Secretariat, Internal Audit, Procurement, External Auditors, HSE and CSR Functions.

Report content

The Company identified key issues to be responded on as corporate strategy by using its materiality matrix. The purpose of the engagement was to prioritize the materiality of outcomes for management attention and further actions. All the issues which are significant in nature considering the concerns of the stakeholders and the Company are analyzed and covered in detail in the report.

Data Measurement Techniques

All numeric indicators are reported on actual basis except for a few environmental KPI's which are reported on management best estimates in accordance with international standards and best practices.

Contact Us

Feedback on the Company's annual and sustainability reporting is encouraged. For comments and feedback, please contact the Corporate HSE / Corporate Communications Department at:
sustainability.reporting@fatima-group.com
and
communications@fatima-group.com

Financial Statements

Report of the Audit Committee

on Adherence to the Code of Corporate Governance

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2014, and reports that:

- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the External Auditors of the Company.

- The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. Equitable treatment of shareholders has also been ensured.

- The Board has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

- The Company has complied with all the corporate and financial reporting requirements. Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, for the financial year ended December 31, 2014, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

- The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

- The Chief Executive and the CFO have reviewed the financial statements of the Company and the Directors' Report.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- Directors, CEO and executives or their spouses do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

Internal Audit

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

- The Company's system of internal control is adequate and effective. The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

External Auditors

- The statutory Auditors of the Company, M. Yousaf Adil Saleem & Company , have completed their Audit assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2014 and shall retire on the conclusion of the 12^{th} Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on financial statements under the listing regulations and shall therefore accordingly be discussed in the next Audit Committee Meeting.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Audit Committee had a meeting with the external auditors without the presence of the CFO and the Head of Internal Audit. The Auditors attended the General Meeting of the Company during the Year and have confirmed attendance of the 12th Annual General Meeting scheduled for April 30, 2015 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends reappointment of M. Yousaf Adil Saleem & Company, Chartered Accountants, for the financial year ending December 31, 2015.

- The Firm has no financial or other relationship of any kind with the Company except that of External Auditors.

Lahore
March 26, 2015

Muhammad Kashif Habib
Chairman-Audit Committee

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	1. Mr. Peter Vang Christensen
Executive Directors	1. Mr. Fawad Ahmed Mukhtar
	2. Mr. Fazal Ahmed Sheikh
Non-Executive Directors	1. Mr. Arif Habib
	2. Mr. Faisal Ahmed Mukhtar
	3. Mr. Muhammad Kashif Habib
	4. Mr. M. Abad Khan
	5. Mr. Tariq Jamali-Nominee NBP

   The independent director meets the criteria of independence as prescribed by the listing regulations.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the Board on October 16, 2014 was filled up by the directors within one day.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the elected directors are either exempt or have completed their mandatory directors’ training program except Mr Peter Vang Christensen who has been appointed to fill the casual vacancy on October 16, 2014 and shall obtain certification under Directors’ Training Program during 2015.

10. The Board has approved appointment of Chief Financial Officer (CFO) and Acting Head of Internal Audit including his remuneration and terms and conditions of employement. There is no new appointment of Company Secretary during the year.

11. The directors’ report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises five members, of whom all are non-executive directors including one independent director and and the chairman of the committee is a non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises four members, of whom all are non-executive directors including one independent director and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Place: Lahore
March 26, 2015

Fawad Ahmed Mukhtar
Chief Executive Officer

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Fatima Fertilizer Company Limited, for the year ended December 31, 2014, to comply with the requirement of Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related part transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner: Talat Javed
March 27, 2015
Multan

Auditors' Report to the Members

We have audited the annexed balance sheet of Fatima Fertilizer Company Limited (the Company) as at December 31, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that–

(a) in our opinion proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion–

 (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of Company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 18 to the financial statements which states that the Company has received a communication from Pakarab Fertilizers Limited (PFL), notifying that during 2014 due to severe shortage of gas supply to PFL by Sui Northern Gas Pipelines Limited, PFL could not operate at the expected levels. Due to this reason, PFL was not in a position to repay the said loan by December 31, 2014 and has requested the Company to extend the repayment period for one year up to December 31, 2015. The Company intends to obtain approval of the shareholders in the forthcoming annual general meeting for extension in the repayment period of loan for one year up to December 31, 2015, however, more than 80% of its shareholders have already given consent to vote in favor of the proposed special resolution. Our opinion is not qualified in respect of this matter.

M. Yousuf Adil Saleem & Co

Chartered Accountants
Engagement Partner: Talat Javed
March 27, 2015
Multan

Balance Sheet

as at December 31, 2014

	Note	2014	2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,500,000,000 (2013: 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 (2013: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Post retirement benefit obligation reserve		(23,311)	(13,581)
Unappropriated profit		13,990,335	9,982,539
		36,757,024	32,758,958
NON CURRENT LIABILITIES			
Long term finances	6	17,335,003	22,647,450
Deferred liabilities	7	14,421,189	9,390,574
		31,756,192	32,038,024
CURRENT LIABILITIES			
Trade and other payables	8	7,373,905	6,650,695
Accrued finance cost	9	258,931	383,432
Short term finances - secured	10	599,575	2,302,516
Current maturity of long term finance	6	6,375,336	5,938,078
		14,607,747	15,274,721
CONTINGENCIES & COMMITMENTS	11		
		83,120,963	80,071,703

The annexed explanatory notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

	Note	2014	2013
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	12	68,823,170	67,588,017
Intangible assets	13	30,083	42,726
		68,853,253	67,630,743
Long term investments	14	85,806	85,190
Long term deposits		13,280	10,248
		68,952,339	67,726,181
CURRENT ASSETS			
Stores and spares	15	4,090,265	3,850,150
Stock in trade	16	2,681,206	2,702,076
Trade debts	17	448,314	99,181
Short term loan to associated company	18	3,000,000	3,000,000
Loans, advances, deposits, prepayments and other receivables	19	3,000,032	2,455,821
Cash and bank balances	20	948,807	238,294
		14,168,624	12,345,522
		83,120,963	80,071,703

Director

Profit and Loss Account

for the year ended December 31, 2014

	Note	2014	2013
		(Rupees in thousand)	
Sales	21	36,169,191	33,495,889
Cost of sales	22	(14,708,355)	(13,784,677)
Gross profit		21,460,836	19,711,212
Distribution cost	23	(1,448,837)	(1,430,122)
Administrative expenses	24	(1,345,890)	(1,076,166)
		18,666,109	17,204,924
Finance cost	25	(3,766,899)	(4,169,002)
Other operating expenses	26	(1,374,485)	(1,010,346)
		13,524,725	12,025,576
Other income	27	624,309	294,957
Profit before tax		14,149,034	12,320,533
Taxation	28	(4,891,238)	(4,298,348)
Profit for the year		9,257,796	8,022,185
Earnings per share - basic and diluted (Rupees)	30	4.41	3.82

The annexed explanatory notes from 1 to 40 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Comprehensive Income

for the year ended December 31, 2014

	2014	2013
	(Rupees in thousand)	
Profit for the year	9,257,796	8,022,185
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Re measurement of post retirement benefits obligation	(14,970)	(17,048)
Deferred tax impact	5,240	5,967
	(9,730)	(11,081)
Total comprehensive income for the year	9,248,066	8,011,104

The annexed explanatory notes from 1 to 40 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

for the year ended December 31, 2014

	Ordinary share capital	Share premium	Post retirement benefit obligation reserve	Unappropriated profit	Total
			(Rupees in thousand)		
Balance as at December 31, 2012	21,000,000	1,790,000	(2,500)	6,160,354	28,947,854
Profit for the year	–	–	–	8,022,185	8,022,185
Other comprehensive income	–	–	(11,081)	–	(11,081)
Total comprehensive income	–	–	(11,081)	8,022,185	8,011,104
Transactions with owners:					
- Final dividend for the year ended December 31, 2012 @ Rs 2 per share	–	–	–	(4,200,000)	(4,200,000)
Balance as at December 31, 2013	21,000,000	1,790,000	(13,581)	9,982,539	32,758,958
Profit for the year	–	–	–	9,257,796	9,257,796
Other comprehensive income	–	–	(9,730)	–	(9,730)
Total comprehensive income	–	–	(9,730)	9,257,796	9,248,066
Transactions with owners:					
- Final dividend for the year ended December 31,2013 @ Rs 2.5 per share	–	–	–	(5,250,000)	(5,250,000)
Balance as at December 31, 2014	21,000,000	1,790,000	(23,311)	13,990,335	36,757,024

The annexed explanatory notes from 1 to 40 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

for the year ended December 31, 2014

	Note	2014	2013
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	34	19,437,881	18,725,388
Finance cost paid		(3,891,400)	(5,865,449)
Taxes paid		(528,215)	(614,349)
Employee retirement benefits paid		(17,926)	(14,274)
Net cash from operating activities		15,000,340	12,231,316
Cash flows from investing activities			
Additions in property, plant and equipment		(2,811,918)	(1,562,304)
Additions in intangible assets		(2,210)	(21,223)
Long term investment		(616)	–
Short term loan to associated company		–	(3,000,000)
Proceeds from disposal of property plant and equipment		349	101
Net proceeds from disposal of short term investments		–	39,147
Net (increase) / decrease in long term loans and deposits		(3,032)	1,113
Profit received on short term loan and saving accounts		351,555	11,280
Net cash used in investing activities		(2,465,872)	(4,531,886)
Cash flows from financing activities			
Repayment of long term finance		(5,875,189)	(4,085,379)
Proceeds from long term finance		1,000,000	1,561,786
Dividend paid			
- ordinary shares		(5,245,825)	(4,196,743)
- preference shares		–	(1,337,214)
Decrease in short term finance - net		(1,702,941)	(387,730)
Net cash used in financing activities		(11,823,955)	(8,445,280)
Net increase / (decrease) in cash and cash equivalents		710,513	(745,850)
Cash and cash equivalents at the beginning of the year		238,294	984,144
Cash and cash equivalents at the end of the year		948,807	238,294

The annexed explanatory notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

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 Companies Ordinance, 1984. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges.

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 facility of the Company is located at Mukhtargarh, Sadiqabad, Pakistan.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of Companies Ordinance, 1984 shall prevail.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2014

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

– **Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities** — **Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set off be available for all counter parties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

– **IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets** — **Effective from accounting period beginning on or after January 01, 2014**

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair value Measurements. The amendments require retrospective application.

– **IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting** — **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counter party and certain conditions are met.

– **IFRIC 21 Levies** **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counter party and certain conditions are met.

2.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

– **Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization** **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items pf property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

– **Amendments to IAS 19 Employee Benefits: Employee contributions** **Effective from accounting period beginning on or after July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

– **IAS 27 (Revised 2011) Separate Financial Statements IAS 27 (Revised 2011) will concurrently apply with IFRS 10** **Effective from accounting period beginning on or after January 01, 2015**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

– IAS 28 (Revised 2011) Investments in Associates and Joint Ventures — **Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

– IFRS 10 Consolidated Financial Statements — **Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the ‘control’ assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the ‘control’ conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the ‘control’ conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

– IFRS 11 Joint Arrangements — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties’ rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

– IFRS 12 Disclosure of Interests in Other Entities — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity’s interest in other entities and the effects of those interests on its financial statements.

– IFRS 13 Fair Value Measurement — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

2.4 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

3 Basis of measurement

3.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates.

The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Employee retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2 (a).

b) Useful life and residual values of property, plant and equipment and intangible assets

The Company reviews the useful lives of property, plant and equipment and intangible assets on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment and intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

c) Provision for taxation

In making the estimates for income taxes payable by the Company, the management considers the applicable laws and the decisions of the appellate tax authorities on certain issues in the past.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Employee retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

a) Defined benefit plan - Gratuity

The Company operates a funded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2014. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in ‘Other Comprehensive Income’ as they occur.

b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

c) Defined contribution plan - Provident Fund

The Company operates provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of the basic salary.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to own manufactured assets includes direct cost of materials, labor and applicable manufacturing overheads. Cost also includes capitalized borrowing costs as referred to in note 4.22.

Depreciation on property, plant and equipment is charged to profit and loss account on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 12.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or made available for use, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.4 Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost less any recognized impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.5 Intangibles

Computer software

Expenditure incurred to acquire computer software is capitalized as intangible asset and stated at cost less accumulated amortization and any identified impairment loss. Computer software is amortized using the straight line method over a period of four years.

Amortization on additions to computer software is charged from the month in which the asset is available for use while no amortization is charged for the month in which asset is disposed off.

4.6 Leases

The Company is the lessee.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight line basis over the lease term.

4.7 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as noncurrent. Management determines the appropriate classification of its investments at the time of the purchase and reevaluates such designation on a regular basis.

The investments made by the Company are classified for the purpose of measurement into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term.

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given.

At subsequent reporting dates, these investments are re measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

4.8 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de recognition of financial assets and financial liabilities is included in the profit and loss account.

Financial instruments carried on the balance sheet include long term loans and deposits, loans, deposits and other receivables, cash and bank balances, borrowings, creditors, accrued and other liabilities. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.9 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.10 Stores and spares

Stores and spares are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.11 Stock in trade

All stocks are valued at the lower of cost and net realizable value. Cost in relation to raw and packing materials, except for those in transit, signifies moving average cost and that relating to mid products and finished goods, monthly average cost comprising cost of direct materials, labor and appropriate manufacturing overheads based on normal operating capacity.

Materials in transit are stated at cost comprising invoice value plus other charges incurred thereon.

Net realizable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.13 Cash and cash equivalents

For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.14 Borrowings

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

4.15 Related party transactions

Sales, purchases and other transactions with related parties are carried out on agreed terms and conditions.

4.16 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

4.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

4.18 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will effect profit or loss.

4.19 Impairment

Financial assets

At each balance sheet date, the Company reviews the carrying amounts of the financial assets to assess whether there is any indication that such financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. In respect of ‘available for sale’ financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Non financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation/amortization and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.20 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Revenue from sale of fertilizer products and chemicals is recognized on dispatch to customers.

Revenue from sale of Certified Emission Reductions (CERs) is recognized on the generation of the Emission Reductions when a firm commitment for sale of CERs exists with a buyer.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.21 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Foreign exchange gain and losses on re translation are recognized in the profit and loss account.

All nonmonetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.22 Borrowing costs

Mark up, interest and other charges on borrowing are capitalized up to the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on such assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

4.23 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting for the effects of all dilative potential ordinary shares.

5 Issued, subscribed and paid up share capital

2014	2013		2014	2013
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000
100,000,000	100,000,000	Ordinary shares of Rs 10 each issued on conversion of fully paid preference shares @ Rs 20 each	1,000,000	1,000,000
2,100,000,000	2,100,000,000		21,000,000	21,000,000

	2014	2013
	(Number of shares)	
5.1 Ordinary shares of the Company held by associates at the year end are as follows:		
Arif Habib Corporation Limited	340,000,206	366,134,206
Fatima Holding Limited (Formerly Fatima Sugar Mills Limited)	268,572,091	268,572,091
Reliance Commodities (Private) Limited	208,863,694	208,863,694
Fazal Cloth Mills Limited	69,514,031	69,514,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
	889,575,188	915,709,188

	Note	2014	2013
		(Rupees in thousand)	
6 Long term finance			
Secured loans from Banking Companies / Financial Institutions			
Long Term Syndicated Loan (Senior Facility)	6.1	15,640,749	18,526,075
Syndicated Term Finance Agreement - I (STFA - I)	6.2	2,400,000	4,000,000
Syndicated Term Finance Agreement - II (STFA - II)	6.3	4,169,590	5,559,453
Syndicated Term Finance Agreement - III (STFA - III)	6.4	1,500,000	500,000
		23,710,339	28,585,528
Less: Current portion		6,375,336	5,938,078
		17,335,003	22,647,450

6.1 Long Term Syndicated Loan (Senior Facility)

This facility has been obtained from a consortium of commercial banks / financial institutions led by National Bank of Pakistan against a sanctioned limit of Rs 23,000 million to finance the project cost.

It carries mark up at the rate of 6 months KIBOR plus 2.00% per annum (2013: 6 months KIBOR plus 3.00% per annum). The effective rate of mark up charged during the year ranged from 11.67% to 11.97% (2013: 11.97% to 12.60%) per annum.

In the event, the Company fails to pay the balances on due dates, mark up is to be computed at the rate of Re 0.320 (2013: Re 0.355) per Rs 1,000 per diem or part thereof on the balances unpaid.

The facility is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs 36,000 million, personal guarantees of the directors and pledge of shares of the Company owned by the sponsors.

The loan is repayable over a period of 7 years in 14 semi annual installments. Last repayment is due on November 27, 2018. During the year the Company has paid two installments aggregating to Rs 2,885 million (2013: Rs 2,485 million).

6.2 Syndicated Term Finance Agreement - I (STFA - I)

This facility has been obtained from a consortium of commercial banks / financial institutions led by National Bank of Pakistan against a sanctioned limit of Rs 6,000 million for the purpose of refinancing a portion of its existing long term finance.

The facility carries mark up at the rate of 6 months KIBOR plus 1.5% per annum payable semi annually in arrears. The effective rate of mark up charged during the year ranged from 11.17% to 11.71% (2013: 11.01% to 11.42%) per annum.

The facility is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 8,000 million.

The loan is payable over a period of four years in eight half yearly installments. Last repayment is due on May 24, 2016. During the year the Company has paid two installments aggregating to Rs 1,600 million (2013: Rs 1,600 million).

6.3 Syndicated Term Finance Agreement - II (STFA - II)

This facility has been obtained from a consortium of commercial banks / islamic bank / financial institutions led by Allied Bank Limited against a sanctioned limit of Rs 6,000 million for the purpose of repayment of unsecured loans from Pakarab Fertilizers Limited, an associate.

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of mark up charged during the year ranged from 10.66% to 11.17% (2013: 10.51% to 10.88%) per annum.

The facility is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 7,867 million.

The loan is repayable in five years with one year grace period in eight half yearly installments. Last repayment is due on November 20, 2017. During the year the Company has paid two installments aggregating to Rs 1,390 million (2013: Rs Nil).

6.4 Syndicated Term Finance Agreement - III (STFA - III)

This facility has been arranged from a consortium of commercial banks / financial institutions led by Allied Bank Limited with a facility amount upto Rs 3,000 million, inclusive of green shoes option of Rs 1,000 million, for the purpose of financing ongoing funding requirements.

During the year the Company has received further disbursement of Rs. 1,000 million against this facility. Draw down of balance amount of this facility is planned within next twelve months.

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of mark up charged during the year ranged from 10.64% to 11.18% (2013: 10.12% to 11.14%) per annum .

The facility is secured by first pari passu charge over all present and future fixed assets of the company amounting to Rs 4,000 million.

The loan is repayable in five years with one year grace period in eight half yearly installments starting from June 26, 2016.

6.5 The aggregate unavailed long term financing facilities amount to Rs 1,500 million (2013: 2,940.55 million).

	Note	2014	2013
		(Rupees in thousand)	
7 Deferred liabilities			
Deferred taxation	7.1	14,155,843	9,207,490
Employee retirement benefits	7.2	265,346	183,084
		14,421,189	9,390,574
7.1 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		15,341,978	14,444,242
Deductible temporary differences:			
Carry forward tax depreciation losses		(1,145,633)	(5,212,083)
Provision for retirement benefits		(27,949)	(17,355)
Remeasurement of defined benefit obligation		(12,553)	(7,314)
		(1,186,135)	(5,236,752)
		14,155,843	9,207,490
7.2 Employee retirement benefits			
Gratuity	7.2.1	185,493	133,575
Accumulating compensated absences	7.2.2	79,853	49,509
		265,346	183,084
7.2.1 Gratuity			
a) Amount recognized in the balance sheet			
Present value of defined benefit obligations		185,493	133,575
Net liability at the end of the year		185,493	133,575

		2014	2013
		(Rupees in thousand)	
b)	**Movement in liability**		
	Net liability at the beginning of the year	133,575	88,195
	Charge for the year	50,358	37,448
	Benefits paid during the year	(13,410)	(9,116)
	Remeasurement changes chargeable to other comprehensive income	14,970	17,048
	Net liability at the end of the year	185,493	133,575
c)	**Charge for the year**		
	Current service cost	34,507	27,747
	Interest cost	15,851	9,701
		50,358	37,448
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	36,512	29,544
	Administrative expenses	13,584	7,782
	Distribution cost	262	122
		50,358	37,448
e)	**Total remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Experience adjustments	14,970	17,048
		14,970	17,048
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	133,575	88,195
	Current service cost	34,507	27,747
	Interest cost	15,851	9,701
	Benefit paid during the year	(13,410)	(9,116)
	Re measurement of plan obligation	14,970	17,048
	Defined benefit obligations at end of the year	185,493	133,575

		2014	2013
g)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	12.5%	11%
	Discount rate for year end obligation	10.5%	12.5%
	Salary increase used for year end obligation		
	2014	–	12.5%
	2015 and thereafter	10.5%	12.5%
	Expected average remaining life	7 years	7 years

		Impact on defined benefit obligation		
		Change in assumption	Increase in assumption	Decrease in assumption
		% age	(Rupees in thousand)	
h)	**Sensitivity analysis**			
	Discount rate	1	(172,959)	199,814
	Salary growth rate	1	200,198	(172,373)

i) The expected contribution to defined benefit obligation for the year ending December 31, 2015 is Rs 58.081 million.

		2014	2013
		(Rupees in thousand)	
7.2.2	**Accumulating compensated absences**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	79,853	49,509
	Net liability at the end of the year	79,853	49,509
b)	**Movement in liability**		
	Net liability at the beginning of the year	49,509	50,251
	Charge for the year	34,860	4,416
	Benefits paid during the year	(4,516)	(5,158)
	Net liability at the end of the year	79,853	49,509
c)	**Charge for the year**		
	Current service cost	23,149	4,416
	Interest cost	6,633	–
	Experience adjustment	5,078	–
		34,860	4,416
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	25,275	3,057
	Administrative expenses	9,404	1,329
	Distribution cost	181	30
		34,860	4,416
f)	**Movement in the present value of obligation**		
	Obligation at beginning of the year	49,509	50,251
	Current service cost	23,149	4,416
	Interest cost	6,633	–
	Benefit paid during the year	(4,516)	(5,158)
	Experience adjustment	5,078	–
	Defined benefit obligations at end of the year	79,853	49,509

	Note	2014	2013
		(Rupees in thousand)	
g) The principal assumptions used in the actuarial valuation are as follows:			
Discount rate for interest cost		10.5%	
Discount rate for year end obligation		10.5%	
Salary increase used for year end obligation			
2014		10.5%	
2015 and thereafter		10.5%	
Retirement assumption		60 years	

8 Trade and other payables

	Note	2014	2013
Creditors		1,146,063	648,960
Advances from customers		2,296,400	3,582,233
Accrued liabilities		711,497	384,700
Withholding tax		36,058	30,600
Sales tax payable		272,874	344,601
Workers' Profit Participation Fund		1,954,365	1,322,333
Workers' Welfare Fund		849,708	251,399
Retention money payable		18,258	20,761
Provident fund payable		9,370	6,841
Unclaimed dividend		14,726	10,551
Others		64,586	47,716
		7,373,905	6,650,695

9 Accrued finance cost

	Note	2014	2013
On long term finances - secured		242,171	328,486
On short term finances - secured		16,760	54,946
		258,931	383,432

10 Short term finances

Secured loans from Banking companies

	Note	2014	2013
Cash finance		–	964,270
Running finance		–	565,053
Finance against Imported Merchandise	10.1	599,575	773,193
		599,575	2,302,516

10.1 These facilities have been obtained from various banks against imported merchandise. These facilities carry mark up ranging from 3.83% to 4.32% (2013: 10.02% to 13.65%) per annum.

10.2 The aggregate unavailed short term borrowing facilities amount to Rs 8,750 million (2013: Rs 7,699.30 million).

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

11 Contingencies and commitments

11.1 Contingencies

(i) The application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied / paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011 has been rejected. The Company has filed an appeal in Lahore High court against the decision.

Based on the advise of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that appeal will succeed. Consequently, no provision has been recognized in these financial statements for the above mentioned amount.

(ii) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the excess input tax amounting to Rs 12.68 million in January 2012 sales tax return.

The Commissioner Inland Revenue Appeals (CIR(A)) has allowed input tax to the extent of Rs 2.829 million. For the remaining Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR).

(iii) The Company has preferred appeals in Custom Appellate Tribunal, Lahore, against the following orders passed by:

- Collector of Customs (Adjudication), Lahore, alleging that the Company has irregularly claimed exemptions under SRO 575 on import of 64 consignments of various items of capital nature. Total demand raised is Rs 495.900 million.

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has irregularly claimed exemption under SRO 575 on import of 20 consignments of seamless pipes and raised demand of Rs 113.957 million.

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has irregularly claimed exemptions under SRO 575 on import of 7 consignments of deformed steel bars and raised demand of Rs 150.604 million.

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has not paid duties and taxes on licenses and engineering services amounting to Euro 1.200 million. The total demand raised is Rs 10.503 million including surcharge.

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company applied incorrect exchange rate of Rs 60.85 per USD instead of Rs 79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised is Rs 17.936 million.

Management is confident that no financial liability will arise in all the above referred cases, therefore no provision has been made in these financial statements.

(iv) Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax has been introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. Under this Section, the tax payable is higher of normal tax computed on taxable profits, minimum tax on turnover under Section 113 and the ACT. The tax payable under ACT has no impact on profit of the Company as the excess of tax paid under ACT over normal tax payable is to be carried forward and adjusted against tax payable for the following ten years.

The Company has filed two Constitutional Petitions in the Honorable High Court of Sindh challenging the newly inserted Section 113C for Tax year 2014 and Tax year 2015, on grounds that it has deprived the Company of certain rights already accrued to it. Stay in this regard has been granted to the Company for both the tax years. The Company's petition is pending for hearing in the High Court.

In view of above, the Company has not recorded tax liability under ACT for the tax years 2014 and 2015.

11.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 2,738.060 million (2013: Rs 25.411 million).

(ii) Contracts for other than capital expenditure Rs 291.278 million (2013: Rs 1,627.135 million).

(iii) The amount of future payments under non cancellable operating leases and the period in which these payments will become due are as follows:

	Note	2014	2013
		(Rupees in thousand)	
Not later than one year		144,379	73,897
Later than one year but not later than five years		134,932	103,327
		279,311	177,224

12 Property, plant and equipment

	Note	2014	2013
Operating fixed assets- tangible	12.1	65,945,226	65,695,396
Capital work in progress	12.2	2,877,944	1,892,621
		68,823,170	67,588,017

12.1 Operating fixed assets - tangible

2014

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2013	Additions/ (deletions)	December 31, 2014	December 31, 2013	charge/ (deletions)	December 31, 2014	December 31, 2014	rate
	(Rupees in thousand)							%
Freehold land	435,069	–	435,069	–	–	–	435,069	–
Building	3,080,412	332,568	3,412,980	291,573	131,815	423,388	2,989,592	4
Plant and machinery	65,014,697	1,327,853	66,342,550	3,179,401	1,314,141	4,493,542	61,849,008	4
Furniture and fixtures	53,491	14,490	67,981	18,221	6,149	24,370	43,611	10
Office equipment	20,871	6,468	27,314	5,886	2,393	8,273	19,041	10
		(25)			(6)			
Electrical installations and appliances	696,193	76,467	772,660	233,627	73,350	306,977	465,683	10
Computers	111,686	27,828	138,503	62,596	21,553	83,374	55,129	25
		(1,011)			(775)			
Vehicles	168,694	40,922	209,616	94,414	27,109	121,523	88,093	20
	69,581,113	1,826,596	71,406,673	3,885,718	1,576,510	5,461,447	65,945,226	
		(1,036)			(781)			

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

2013

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2012	Additions/ (deletions)	December 31, 2013	December 31, 2012	charge/ (deletions)	December 31, 2013	December 31, 2013	rate
	(Rupees in thousand)							%
Freehold land	435,069	–	435,069	–	–	–	435,069	–
Building	2,952,872	127,540	3,080,412	171,227	120,346	291,573	2,788,839	4
Plant and machinery	64,032,847	981,850	65,014,697	1,888,197	1,291,204	3,179,401	61,835,296	4
Furniture and fixtures	44,656	8,835	53,491	13,229	4,993	18,221	35,270	10
Office equipment	15,398	5,511	20,871	4,001	1,892	5,886	14,985	10
		(38)			(8)			
Electrical installations and appliances	557,889	138,361	696,193	170,193	63,437	233,627	462,566	10
		(56)			(4)			
Computers	88,644	23,128	111,686	44,502	18,104	62,596	49,090	25
		(86)			(11)			
Vehicles	121,845	46,922	168,694	74,978	19,509	94,414	74,280	20
		(74)			(74)			
	68,249,220	1,332,147	69,581,113	2,366,327	1,519,485	3,885,718	65,695,396	
		(254)			(97)			

	2014	2013
	(Rupees in thousand)	
12.2 Capital work in progress		
Civil works	408,165	466,632
Plant and machinery	1,398,503	1,262,383
Advances		
- Freehold land	1,711	1,711
- Civil works	8,772	1,229
- Plant and machinery	760,793	160,666
- Other advances	300,000	–
	1,071,276	163,606
	2,877,944	1,892,621
12.2.1 Movement of capital work in progress		
Opening balance	1,892,621	1,662,461
Addition during the year	2,078,572	702,987
	3,971,193	2,365,448
Less: capitalization during the year	(1,093,249)	(472,827)
Closing balance	2,877,944	1,892,621
12.3 The depreciation charge for the year has been allocated as follows:		
Cost of sales	1,487,938	1,451,764
Administrative expenses	85,672	65,056
Distribution cost	2,900	2,665
	1,576,510	1,519,485

12.4 Disposal of operating fixed assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal
			(Rupees in thousand)			
Computers						
Laptop	59	5	54	56	2	Insurance claim
Laptop	59	5	54	56	2	Insurance claim
Items having book value below Rs 50,000	893	765	128	232	104	
Office equipment						
Items having book value below Rs 50,000	25	6	19	5	(14)	
2014	1,036	781	255	349	94	
2013	254	97	157	101	(56)	

13 Intangible assets

2014

	Cost			Accumulated amortization			Book value	Amortization rate
	December 31, 2013	Additions	December 31, 2014	December 31, 2013	Charge/ (deletions)	December 31, 2014	December 31, 2014	
	(Rupees in thousand)							%
Computer software	58,184	2,210	60,394	15,458	14,853	30,311	30,083	25
	58,184	2,210	60,394	15,458	14,853	30,311	30,083	

2013

	Cost			Accumulated amortization			Book value	Amortization rate
	December 31, 2012	Additions	December 31, 2013	December 31, 2012	Charge/ (deletions)	December 31, 2013	December 31, 2013	
	(Rupees in thousand)							%
Computer software	36,961	21,223	58,184	3,080	12,378	15,458	42,726	25
	36,961	21,223	58,184	3,080	12,378	15,458	42,726	

13.1 The amortization charge for the year has been allocated to administrative expenses.

14 Long term investment

Investment in associated company

The investment is made in 858,056 fully paid ordinary shares of Rs 100 each of Multan Real Estate Company (Pvt) Limited (MREC). The investment represents 39.5% of the total issued, subscribed and paid up share capital of MREC.

The main business of MREC is establishing and designing housing and commercial schemes, to carry on business of civil engineers for construction of private and governmental buildings and infrastructure and provision of labor and building material.

This Investment is measured at cost as the associated company has not yet started its commercial operations and the break up value for the purpose of equity method is not significantly different from cost.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

		2014	2013
		(Rupees in thousand)	
15	**Stores and spares**		
	Stores	219,231	171,400
	Spares	2,979,853	2,567,300
	Catalyst and chemicals	891,181	1,111,450
		4,090,265	3,850,150
16	**Stock in trade**		
	Raw material {including in-transit Rs. 1,203.2 million (2013: 1,464.7 million)}	2,311,637	2,495,415
	Packing material	464	6,288
	Mid Products		
	Ammonia	20,279	16,777
	Nitric Acid	3,161	9,120
	Others	345	331
		23,785	26,228
	Finished goods		
	Urea	15,509	22,032
	NP	179,668	89,408
	CAN	144,668	34,641
	Emission reductions	5,475	28,064
		345,320	174,145
		2,681,206	2,702,076

17 Trade debts

These are in the normal course of business and are secured by way of bank guarantees.

18 Short term loan to associated company - considered good

This represents loan given to Pakarab Fertilizer Limited (PFL) at markup rate of 6 months KIBOR plus 2.12%. Effective rate of mark up charged during the year ranged from 11.75% to 12.29% (2013: 11.21% to 12.26%) per annum. The loan is fully secured against ranking charge on all present and future fixed assets of PFL. As per the terms, the loan was receivable in one or more installments by December 31, 2014.

In December 2014, the Company received a communication from PFL, notifying that during 2014 due to severe shortage of gas supply to PFL by SNGPL, PFL could not operate at the expected levels. Due to this reason, contrary to the expectations at the start of 2014, PFL would not be in a position to repay the said loan by December 31, 2014. PFL has requested the Company to extend the repayment period for one year upto December 31, 2015.

Based on the communication from PFL, the BOD of the Company in its meeting held on March 26, 2015, approved the extension in repayment period for one year upto December 31, 2015. Furthermore, in order to comply with the requirements of Section 208 of the Companies Ordinance 1984, the Company will present the change in terms of the loan in the upcoming Annual General Meeting for shareholders' approval. The Company has already received consent from more than 80% of its shareholders to vote in favor of the special resolution to be presented in the Annual General Meeting.

		2014	2013
		(Rupees in thousand)	
19	**Loans, advances, deposits, prepayments and other receivables**		
	Advances - considered good		
	- to employees	22,950	23,801
	- to suppliers	447,994	312,510
		470,944	336,311
	Margin deposits held by banks	16,133	72,239
	Prepayments	29,297	25,849
	Other receivables		
	- Advance income tax paid	1,782,542	1,191,972
	- Advance sales tax on receipts	141,397	370,811
	- Markup receivable	177,748	148,705
	- Others	381,971	309,934
		2,483,658	2,021,422
		3,000,032	2,455,821
20	**Cash and bank balances**		
	At banks		
	- saving accounts	117,415	7,710
	- current accounts	829,577	229,350
	Cash in hand	1,815	1,234
		948,807	238,294

20.1 The balances in saving accounts carry markup ranging from 6% to 9% (2013: 6% to 9%) per annum.

21 Sales

Sales are exclusive of sales tax and trade allowances of Rs 6,455.880 million and Rs 55.230 million (2013: Rs 5,774.729 million and Rs 452.794 million) respectively.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees in thousand)	
22	**Cost of sales**			
	Raw material consumed		5,797,395	5,458,384
	Packing material consumed		818,949	705,426
	Salaries, wages and other benefits	22.1	1,493,377	1,208,296
	Fuel and power		2,999,294	2,639,905
	Chemicals and catalyst consumed		418,324	349,938
	Stores and spares consumed		1,003,593	954,209
	Technical assistance		60,706	65,835
	Repair and maintenance		241,069	229,893
	Insurance		334,687	446,674
	Travelling and conveyance		100,909	87,228
	Equipment rental		38,798	95,998
	Vehicle running and maintenance		33,910	32,416
	Depreciation	12.3	1,487,938	1,451,764
	Others		48,138	44,974
	Manufacturing cost		14,877,087	13,770,940
	Opening stock of mid products		26,228	17,469
	Closing stock of mid products		(23,785)	(26,228)
	Cost of goods manufactured		14,879,530	13,762,181
	Opening stock of finished goods		174,145	196,641
	Closing stock of finished goods		(345,320)	(174,145)
			14,708,355	13,784,677

22.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 90.392 million (2013: Rs 54.868 million).

		Note	2014	2013
			(Rupees in thousand)	
23	**Distribution cost**			
	Salaries, wages and other benefits	23.1	281,689	277,339
	Rent, rates and taxes		59,063	66,759
	Advertisement and sales promotion		141,541	199,634
	Transportation and freight		837,246	788,237
	Vehicle running and maintenance		28,159	15,360
	Travelling		19,848	16,204
	Technical services to farmers		15,617	14,444
	Others		65,674	52,145
			1,448,837	1,430,122

23.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 16.937 million (2013: Rs 27.019 million).

	Note	2014	2013
		(Rupees in thousand)	
24 Administrative expenses			
Salaries, wages and other benefits	24.1	532,198	458,112
Travelling and conveyance		114,360	103,256
Vehicles' running and maintenance		45,133	40,086
Insurance		5,446	7,965
Communication and postage		17,994	26,562
Printing and stationery		14,779	15,474
Repair and maintenance		68,034	66,385
Rent, rates and taxes	24.2	18,616	20,964
Fees and subscription		15,640	1,778
Entertainment		9,372	7,280
Legal and professional	24.3	71,157	47,594
Utilities		119,112	106,524
Depreciation	12.3	85,672	65,056
Amortization	13.1	14,853	12,378
Charity and donation	24.4	154,081	47,603
Others		59,443	49,149
		1,345,890	1,076,166

24.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 32.845 million (2013: Rs 21.521 million).

24.2 Rent, rates and taxes include operating lease rentals.

	2014	2013
	(Rupees in thousand)	
24.3 This includes auditors' remuneration as follows:		
Annual audit fee	2,000	1,750
Half yearly review fee	450	420
Other certification	463	340
Out of pocket expenses	480	594
	3,393	3,104

24.4 This includes:

Rs 56.091 million (2013: Rs 3.009 million) to Mian Mukhtar A. Sheikh Trust (the trust). Three directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar are trustees in the trust; and

Rs 3.488 million (2013: Rs 6 million) to Lahore University of Management Sciences (LUMS). The Chief Executive of the Company, Mr. Fawad Ahmed Mukhtar is a member of the Board of Governors of National Management Foundation (NMF), the sponsoring body of LUMS.

	2014	2013
	(Rupees in thousand)	
25 Finance cost		
Markup on long term finances	3,071,254	3,671,341
Markup on loans from associated company	–	24,147
Markup on short term finances	365,470	353,006
Interest on Worker Profit Participation Fund	50,229	57,933
Bank charges and others	279,946	62,575
	3,766,899	4,169,002

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

		2014	2013
		(Rupees in thousand)	
26	**Other operating expenses**		
	Workers' Profit Participation Fund	776,176	661,577
	Workers' Welfare Fund	598,309	251,399
	Exchange loss - net	–	97,314
	Loss on disposal of property plant and equipment	–	56
		1,374,485	1,010,346
27	**Other income**		
	Income from financial assets		
	Profit on short term loan to associated company	368,384	147,148
	Profit on saving accounts	12,214	10,418
	Gain on sale of short term investment	–	39,147
	Exchange gain - net	13,524	–
	Income from non financial assets		
	Income from services	226,224	49,181
	Scrap sales	360	26,501
	Gain on disposal of property plant and equipment	94	–
	Other	3,509	22,562
		624,309	294,957
28	**Taxation**		
	Prior	(62,355)	–
	Deferred	4,953,593	4,298,348
		4,891,238	4,298,348

28.1 Assessments for tax years upto 2014 (financial year ended December 31, 2013) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

		2014	2013
		%	
28.2	**Tax charge reconciliation**		
	Numerical reconciliation between the average tax rate and the applicable tax rate:		
	Applicable tax rate	35.00	35.00
	Tax effect of amounts that are:		
	Temporary differences	(0.47)	(0.06)
	Tax effect of income chargeable to tax at lower rate	–	0.08
	Tax effect of inadmissible expenses	0.04	(0.13)
		(0.43)	(0.11)
	Average effective tax rate charged to profit and loss account	34.57	34.89

29 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. Other significant transactions with related parties are as follows:

		2014	2013
		(Rupees in thousand)	
Relationship with the Company	**Nature of transaction**		
Associated companies	Short term loan	–	3,000,000
	Toll manufacturing	1,127,978	794,770
	Miscellaneous expenses	230,875	244,607
	Sale of product	13,247	51,780
	Purchase of raw / packing material	1,081,576	877,263
	Finance cost	–	24,146
	Other income	368,384	147,148
	Stores and spares	44,947	39,585
Retirement benefit plans	Retirement benefit expense	101,900	89,918

30 Earnings per share - basic and diluted

	2014	2013
Profit attributable to ordinary shareholders	9,257,796	8,022,185
	(Number of shares)	
Weighted average number of shares	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	4.41	3.82

31 Capacity and Production

	Metric ton	
Urea		
Designed production capacity	500,000	500,000
Actual production	372,712	351,738
CAN		
Designed production capacity	420,000	420,000
Actual production	433,005	419,104
NP		
Designed production capacity	360,000	360,000
Actual production	375,091	332,539

32 FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (The Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro (EUR). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2014	2013
	(FCY in thousand)	
Cash at banks – USD	691	16
Trade and other payables – USD	(2,284)	(384)
Net exposure – USD	(1,593)	(368)
Cash at banks – EUR	3	2
Trade and other payables – EUR	(291)	(291)
Net exposure – EUR	(288)	(289)

The following significant exchange rates were applied during the year:

	2014	2013
	(Rupees)	
US Dollar		
Average rate	102.71	101.06
Reporting date rate	100.40	105.02
Euro		
Average rate	133.62	136.71
Reporting date rate	122.13	145.10

If the functional currency, at reporting date, had fluctuated by 5% against the USD and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 9.781 million (2013: Rs 4.024 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	117,415	7,710
Floating rate instruments		
Financial assets		
Short term loan to associated company	3,000,000	3,000,000
Trade debt – secured	448,314	99,181
Financial liabilities		
Long term finance	23,710,339	28,585,528
Short term finance - secured	599,575	2,302,516

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit and loss account of the Company.

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on long term loans at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 154.117 million (2013: Rs 188.664 million) respectively higher / lower.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	(Rupees in thousand)	
Long term deposits	13,280	10,248
Short term loan to associated company	3,000,000	3,000,000
Loans, advances, deposits and other receivables	1,039,742	1,674,063
Bank balances	946,992	237,060
	5,000,014	4,921,371

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2014	2013
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AA+	PACRA	1,571	585
Askari Bank Limited	A1+	AA	PACRA	3,786	2,547
Bank Alfalah Limited	A1+	AA	PACRA	20,239	20,471
BankIslami Pakistan Limited	A1	A	PACRA	961	514
Burj Bank Limited	A-1	A	JCR-VIS	189	27
Bank AL Habib Limited	A1+	AA+	PACRA	1,874	10
Citibank N.A	P-1	A2	Moody's	93,715	–
Faysal Bank Limited	A1+	AA	PACRA	33	22
Habib Bank Limited	A-1+	AAA	JCR-VIS	29,201	35,924
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	69,415	1,969
MCB Bank Limited	A1+	AAA	PACRA	4,176	9,706
Meezan Bank Limited	A-1+	AA	JCR-VIS	1,279	1,909
National Bank of Pakistan	A-1+	AAA	JCR-VIS	503,398	625
NIB Bank Limited	A1+	AA-	PACRA	1,094	645
Silk Bank Limited	A-2	A-	JCR-VIS	–	56
Soneri Bank Limited	A1+	AA-	PACRA	6,452	5,977
Summit Bank Limited	A-3	A-	JCR-VIS	174,718	142,713
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	5,893	4,416
United Bank Limited	A-1+	AA+	JCR-VIS	28,884	7,171
The Bank of Punjab	A1+	AA-	PACRA	63	114
Sindh Bank Limited	A-1+	AA-	JCR-VIS	50	1,658

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2014 the Company has Rs 10,250 million (2013: Rs 10,639.95 million) unutilized borrowing limits from financial institutions and Rs. 948.807 million (2013: Rs 238.294 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	23,710,339	6,375,121	17,335,218	–
Short term finance - secured	599,575	599,575	–	–
Trade and other payables	5,077,505	5,077,505	–	–
Accrued finance cost	258,931	258,931	–	–
	29,646,350	12,311,132	17,335,218	–

The following are the contractual maturities of financial liabilities as at December 31, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	28,585,528	5,938,078	22,647,450	–
Short term finance - secured	2,302,516	2,302,516	–	–
Trade and other payables	3,068,462	3,068,462	–	–
Accrued finance cost	383,432	383,432	–	–
	34,339,938	11,692,488	22,647,450	–

32.2 Fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2014	2013
	(Rupees in thousand)	
32.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term deposits	13,280	10,248
Short term loan to associated company	3,000,000	3,000,000
Loans, advances, deposits and other receivables	1,007,713	771,149
Trade debts	448,314	99,181
Cash and bank balances	948,807	238,294
	5,418,114	4,118,872
Financial liabilities as per balance sheet		
Long term finance	23,710,339	28,585,528
Short term finance - secured	599,575	2,302,516
Trade and other payables	5,077,505	3,068,462
Accrued finance cost	258,931	383,432
	29,646,350	34,339,938

32.4 Capital risk management

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide maximum return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure as required by the lenders. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of debt to equity ratio.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, issue new ordinary / preference shares, or obtain / repay loans.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

33 Remuneration of directors and key management personnel

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to full time working directors and executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	17,214	14,440	17,637	14,268	308,145	266,337
Housing	7,746	6,457	7,936	6,380	137,639	119,646
Utilities	–	–	–	–	30,584	26,588
Project allowance & site allowance	–	–	–	–	89,637	78,923
LFA & bonus	5,793	1,655	5,793	1,655	113,387	81,023
Others	3,228	2,943	1,426	1,835	21,217	21,836
	33,981	25,495	32,792	24,138	700,609	594,353
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	68,390	54,906
Accumulating compensated absences	–	–	–	–	28,791	2,650
	33,981	25,495	32,792	24,138	797,790	651,909
Number of persons	1	1	1	1	251	224

	2014	2013
	(Rupees in thousand)	
34 Cash generated from operations		
Profit before tax	14,149,034	12,320,533
Adjustments for :		
Depreciation on property, plant and equipment	1,576,510	1,519,485
Amortization of intangible assets	14,853	12,378
Finance cost	3,766,899	4,169,002
Provision for staff retirement benefits	85,218	41,864
Profit on short term loan to associated company	(368,384)	(147,148)
Gain on sale on short term investment	–	(39,147)
Profit on saving accounts	(12,214)	(10,418)
(Gain)/ loss on disposal of property plant and equipment	(94)	56
	5,062,788	5,546,072
Operating cash flows before working capital changes	19,211,822	17,866,605
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stores and spares	(240,115)	(619,345)
Stock in trade	20,870	194,149
Trade debts	(349,133)	(39,299)
Loans, advances, deposits, prepayments and other receivables	75,402	17,733
Increase in creditors, accrued and other liabilities	719,035	1,650,711
	226,059	858,783
	19,437,881	18,725,388

	2014	2013
	(Rupees in thousand)	

35 Provident Fund

The following information is based on latest un audited financial statements of the Fund:

	2014	2013
Size of the fund	228,320	213,663
Total investments	210,964	206,822
%age of investments made	92%	97%

The investments are kept in saving accounts in scheduled banks and TDRs in the name of Trust, in accordance with requirements of section 227 of the Companies Ordinance, 1984.

36 Number of employees

	2014	2013
Average number of employees during the year	1,773	1,763
Number of employees at end of the year	1,731	1,815

37 Reclassification

Corresponding figures have been reclassified where necessary to reflect more appropriate presentation of events and transactions for the purpose of presentation.

From	To	Reason	Rupees in thousand
Deferred tax liability	Advance income tax paid	For better presentation	781,758
Cost of sales	Other income	For better presentation	34,046
Administrative expenses	Other income	For better presentation	15,135
Administrative expenses	Cost of sales	For better presentation	75,266
Distribution cost - others	Distribution cost - vehicle running and maintenance	For better presentation	15,360
Distribution cost - others	Distribution cost - travelling	For better presentation	16,204
Distribution cost - others	Distribution cost - technical services to farmers	For better presentation	14,444

38 Non adjusting events after the balance sheet date

The Board of Directors in its Meeting held on March 26, 2015 proposed a final dividend of Rs 2.75 per share (2013: Rs 2.50 per share) for the year ended December 31, 2014, amounting to Rs 5,775 million (2013: Rs 5,250 million) for approval of the members at the Annual General Meeting to be held on April 30, 2015.

These financial statements do not reflect these appropriations and the proposed dividend payable.

39 Date of Authorization of Issue

These financial statements have been authorized for issue on March 26, 2015 by the Board of Directors of the Company.

40 General

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

Chief Executive **Director**

Statement under section 160(1) (b) of the Companies Ordinance, 1984

Item 5 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 27(I)/2012 dated January 16, 2012, it is informed that the following directors of the Company are also the directors in the investee company and the following relatives of the directors are also the shareholders of the investee company, however, the directors/relatives have no direct or indirect interest except to the extent of shareholding in the investee company:

Directors

1) Mr. Arif Habib
2) Mr. Fawad Ahmed Mukhtar
3) Mr. Fazal Ahmed Sheikh
4) Mr. Faisal Ahmed Mukhtar
5) Mr. Muhammad Kashif Habib

Relatives

1) Mrs. Zetun Arif
2) Mrs. Ambreen Fawad
3) Ms. Meraj Fatima

The Directors have carried out the required due diligence for the purpose of this loan.

The information required under S.R.O.27(I)/2012 is provided below:

Sr. No.	Description	Information Required
(i)	Name of investee company or associated undertaking along with criteria based on which the associated relationship is established	Pakarab Fertilizers Limited due to common directorship by the following: 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib
(ii)	Amount of Loans or Advances	PKR 3.00 Billion
(iii)	Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances	To continue investment of Company's funds at attractive rate of mark-up.
(iv)	In case any Loan has already been granted to the said associated company or associated undertaking, the complete details thereof	Loan of PKR 3.00 Billion was given pursuant to special resolutions of the Company passed on June 29, 2013 and April 30, 2014. It is being charged at the mark-up rate of 6M KIBOR + 2.12 but not less than the borrowing cost of Fatima. The Company is now seeking approval for extension of repayment period of loan for one year and for change of nature of Loan to renewable limit in the nature of Running Finance Facility to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	As per the Financial Statements for the year ended December 31, 2014 PKR in Billion Authorized Capital 10.0 Paid Up Capital 4.5 Non-Current Liabilities 3.15 Deferred Tax Liability 10.18 Current Liabilities 18.61 Current Assets 8.99 Revenue 14.25 Gross Profit 1.98 Finance Cost 1.6 Loss After Tax (0.25)

Sr. No.	Description	Information Required
(vi)	Average borrowing cost of the investing company	11.46%
(vii)	Rate of interest, mark up, profit, fees or commission etc. to be charged	6M KIBOR+2.12 but not less than the borrowing cost of Fatima
(viii)	Sources of funds from where loans or advances will be given	Not applicable
(ix)	Where loans or advances are being granted using borrowed funds: 1. Justification for granting loan or advance out of borrowed funds; 2. Detail of guarantees/ assets pledged for obtaining such funds, if any; 3. Repayment schedules of borrowing of the investing company	Not applicable
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Security for the loan was previously obtained in the form of a charge over fixed assets of the investee company. This charge shall be vacated on the repayment of the entirety of the loan
(xi)	If the loans or advances carry conversion feature	Not applicable
(xii)	Repayment schedule and terms of loans or advances to be given to the investee company	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.
(xiii)	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Agreement: 1. The parties agree to extend the repayment period for one year and to change the nature of Loan to renewable limit in the nature of Running Finance Facility to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year. 2. Markup will be charged on the Loan at the rate of 6M KIBOR+2.12 but not less than the borrowing cost of Fatima. Markup is payable on quarterly basis. 3. On repayment of the Loan, the charge over the fixed assets of investee company is to be vacated
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company and the following relatives of the directors are also the shareholders of the investee company, however, the directors/relatives have no direct or indirect interest except to the extent of shareholding in the investee company: Directors 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib Relatives 1) Mrs. Zetun Arif 2) Mrs. Ambreen Fawad 3) Ms. Meraj Fatima
(xv)	Any other important details necessary for the members to understand the transaction	None

Statement under section 160(1) (b) of the Companies Ordinance, 1984

Sr. No.	Description	Information Required
(xvi)	In case of investment in a project of an associated company or associated undertaking that has not commenced operations: 1. Description of the project and its history since conceptualization; 2. Starting date and expected dated of completion; 3. Time by which such project shall become commercially operational; 4. Expected return on total capital employed in the project; 5. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not applicable

Item 6 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 27(I)/2012 dated January 16, 2012, it is informed that the following directors of the Company are also the directors in the investee company and the following relatives of the directors are also the shareholders of the investee company, however, the directors/relatives have no direct or indirect interest except to the extent of shareholding in the investee company:

Directors

1) Mr. Fawad Ahmed Mukhtar
2) Mr. Fazal Ahmed Sheikh
3) Mr. Faisal Ahmed Mukhtar

Relatives

1) Mrs. Farah Faisal

The Directors have carried out the required due diligence for the purpose of this loan.

The information required under S.R.O.27(I)/2012 is provided below:

Sr. No.	Description	Information Required
(i)	Name of investee company or associated undertaking along with criteria based on which the associated relationship is established	Reliance Commodities (Pvt) Limited (RCL) due to common directorship by the following: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(ii)	Amount of Loans or Advances	PKR 500 Million
(iii)	Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances	To support the functionality and operations of associated undertaking and to make investment of Company's funds at attractive rate of mark-up.
(iv)	In case any Loan has already been granted to the said associated company or associated undertaking, the complete details thereof	Nil

Sr. No.	Description	Information Required
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	As per the unaudited Financial Statements for the half year ended December 31, 2014 PKR in Million Authorized Capital 100 Paid Up Capital 80.05 Unappropriated Profit 8,450 Non-Current Liabilities - Deferred Tax Liability 0.542 Current Liabilities 776 Current Assets 9,060 Revenue 2,870 Gross Profit 371 Finance Cost 47 Profit After Tax 1,549
(vi)	Average borrowing cost of the investing company	11.46%
(vii)	Rate of interest, mark up, profit, fees or commission etc. to be charged	6M KIBOR+2.12 but not less than the borrowing cost of Fatima
(viii)	Sources of funds from where loans or advances will be given	From own sources of the Company
(ix)	Where loans or advances are being granted using borrowed funds: 1. Justification for granting loan or advance out of borrowed funds; 2. Detail of guarantees/ assets pledged for obtaining such funds, if any; 3. Repayment schedules of borrowing of the investing company	Not applicable
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	As security for the loan, RCL shall provide a charge over present and future currents assets.
(xi)	If the loans or advances carry conversion feature	None
(xii)	Repayment schedule and terms of loans or advances to be given to the investee company	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.
(xiii)	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Agreement: 1. Fatima has agreed to provide a loan of Rs. 500 Million as Running Finance Facility to RCL for a period of one year to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year. 2. Markup will be charged on the Loan at the rate of 6M KIBOR+2.12 but not less than the borrowing cost of Fatima. Markup is payable on quarterly basis. 3. As security for the loan, RCL shall provide a charge over present and future current assets

Statement under section 160(1) (b) of the Companies Ordinance, 1984

<table>
<tr><th>Sr. No.</th><th>Description</th><th>Information Required</th></tr>
<tr><td>(xiv)</td><td>Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration</td><td>The following directors of the Company are also the directors in the investee company and the following relatives of the directors are also the shareholders of the investee company, however, the directors/relatives have no direct or indirect interest except to the extent of shareholding in the investee company:
Directors
1) Mr. Fawad Ahmed Mukhtar
2) Mr. Fazal Ahmed Sheikh
3) Mr. Faisal Ahmed Mukhtar

Relatives
1) Mrs. Farah Faisal</td></tr>
<tr><td>(xv)</td><td>Any other important details necessary for the members to understand the transaction</td><td>None</td></tr>
<tr><td>(xvi)</td><td>In case of investment in a project of an associated company or associated undertaking that has not commenced operations:
1. Description of the project and its history since conceptualization;
2. Starting date and expected dated of completion;
3. Time by which such project shall become commercially operational;
4. Expected return on total capital employed in the project;
5. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts</td><td>Not applicable</td></tr>
</table>

Pattern of Shareholding
as at December 31, 2014

Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2014		Shares Held	Percentage
1	**Associated Companies, Undertakings and Related Parties**		
	ARIF HABIB CORPORATION LIMITED	340,000,206	16.19
	FATIMA HOLDING LIMITED	268,572,091	12.79
	FAZAL CLOTH MILLS LIMITED	69,514,031	3.31
	RELIANCE COMMODITIES (PVT) LIMITED	208,863,694	9.95
	RELIANCE WEAVING MILLS LTD	2,625,166	0.13
2	**Directors, CEO and their Spouse and Minor Children**		
	MOHAMMAD ABAD KHAN	754,500	0.04
	AMBREEN FAWAD	15,098,526	0.72
	MUHAMMAD ARIF HABIB	185,484,638	8.83
	ASAD MUHAMMAD SHEIKH	23,207,427	1.11
	FAISAL AHMED MUKHTAR	132,353,979	6.30
	FARAH FAISAL	56,250	0.00
	FATIMA FAZAL	70,311	0.00
	FAWAD AHMED MUKHTAR	81,321,389	3.87
	FAZAL AHMED SHEIKH	101,437,205	4.83
	IBRAHIM MUKHTAR	5,157,206	0.25
	MERAJ FATIMA	14,240,853	0.68
	MOHAMMAD KASHIF	13,749	0.00
	MOHID MUHAMMAD AHMED	5,157,206	0.25
	MUHAMMAD FAZEEL MUKHTAR	5,157,206	0.25
	MUHAMMAD MUKHTAR SHEIKH	23,207,427	1.11
	ZETUN ARIF	139,125,434	6.63
3	**Executives**	1,308,218	0.06
4	**Public Sector Companies and Corporations**	9,516,542	0.45
5	**Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds**	114,186,165	5.44
6	**Mutual Funds**		
	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	5,229,000	0.25
	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	332,000	0.02
	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	18,400	0.00
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	700,000	0.03
	CDC - TRUSTEE AKD INDEX TRACKER FUND	72,934	0.00
	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	531,000	0.03
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	500,000	0.02
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	3,306,000	0.16
	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	400,000	0.02
	CDC - TRUSTEE APF-EQUITY SUB FUND	50,000	0.00
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	381,500	0.02
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,217,500	0.06
	M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	170,000	0.01
	CDC - TRUSTEE LAKSON EQUITY FUND	3,321,000	0.16
	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1,378,000	0.07

Pattern of Shareholding
as at December 31, 2014

Details of holding as on December 31, 2014		Shares Held	Percentage
	CDC - TRUSTEE PICIC INCOME FUND - MT	182,000	0.01
	CDC - TRUSTEE LAKSON INCOME FUND - MT	340,000	0.02
	CDC - TRUSTEE ATLAS INCOME FUND - MT	591,500	0.03
	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	481,000	0.02
	CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	25,000	0.00
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	50,000	0.00
	CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	10,000	0.00
	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	58,500	0.00
	CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	4,500	0.00
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2,897,562	0.14
	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	200,000	0.01
	CDC - TRUSTEE PAKISTAN SARMAYA MEHFOOZ FUND	50,000	0.00
	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	1,078,000	0.05
7	**Shareholders holding 5 % or more voting interest**		
	ARIF HABIB CORPORATION LIMITED	340,000,206	16.19
	FATIMA HOLDING LIMITED	268,572,091	12.79
	RELIANCE COMMODITIES (PVT) LIMITED	208,863,694	9.95
	MUHAMMAD ARIF HABIB	185,484,638	8.83
	FAISAL AHMED MUKHTAR	132,353,979	6.30
	ZETUN ARIF	139,125,434	6.63

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	731,843,306	34.85
Associated Companies, Undertakings and Related Parties	889,575,188	42.36
Executives	1,308,218	0.06
Public Sector Companies and Corporations	9,516,542	0.45
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	114,186,165	5.44
Mutual Funds	23,575,396	1.12
General Public		
a. Local	224,915,144	10.71
b. Foreign	1,802,182	0.09
Foreign Companies	31,010,878	1.48
Others	72,266,981	3.44
TOTAL	**2,100,000,000**	**100.00**

Pattern of Shareholding
as at December 31, 2014

No. of Shareholders	Having Shares From		To	Shares Held
2415	1	to	100	93,522
4603	101	to	500	1,837,061
1318	501	to	1000	1,158,622
1788	1001	to	5000	4,848,515
598	5001	to	10000	4,777,657
219	10001	to	15000	2,785,385
142	15001	to	20000	2,606,210
96	20001	to	25000	2,265,678
55	25001	to	30000	1,549,000
36	30001	to	35000	1,197,448
28	35001	to	40000	1,069,601
25	40001	to	45000	1,081,056
75	45001	to	50000	3,721,018
17	50001	to	55000	885,873
23	55001	to	60000	1,348,949
9	60001	to	65000	573,500
12	65001	to	70000	810,562
11	70001	to	75000	801,045
7	75001	to	80000	550,343
5	80001	to	85000	416,352
4	85001	to	90000	353,311
5	90001	to	95000	463,321
32	95001	to	100000	3,200,000
3	100001	to	105000	309,000
7	105001	to	110000	751,834
6	110001	to	115000	678,662
2	115001	to	120000	236,000
7	120001	to	125000	863,841
2	125001	to	130000	254,250
1	130001	to	135000	135,000
4	135001	to	140000	558,000
2	140001	to	145000	287,449
7	145001	to	150000	1,041,865
7	155001	to	160000	1,103,685
1	160001	to	165000	165,000
5	165001	to	170000	840,000
4	170001	to	175000	697,333
1	175001	to	180000	180,000
1	180001	to	185000	182,000
7	185001	to	190000	1,314,066
1	190001	to	195000	190,500
12	195001	to	200000	2,393,780
1	200001	to	205000	204,250
1	205001	to	210000	210,000
2	210001	to	215000	424,919
2	220001	to	225000	447,000
4	225001	to	230000	917,500
2	230001	to	235000	467,754
2	235001	to	240000	471,252

Pattern of Shareholding
as at December 31, 2014

No. of Shareholders	Having Shares From		To	Shares Held
1	240001	to	245000	240,784
3	245001	to	250000	750,000
2	260001	to	265000	525,000
1	265001	to	270000	270,000
1	270001	to	275000	273,500
1	275001	to	280000	276,500
1	285001	to	290000	290,000
3	295001	to	300000	900,000
2	300001	to	305000	605,500
2	320001	to	325000	647,500
1	325001	to	330000	325,750
1	330001	to	335000	332,000
2	335001	to	340000	677,358
3	345001	to	350000	1,050,000
1	355001	to	360000	358,800
1	370001	to	375000	375,000
1	380001	to	385000	381,500
1	390001	to	395000	393,000
2	395001	to	400000	795,263
1	405001	to	410000	409,000
1	415001	to	420000	418,490
1	420001	to	425000	425,000
1	430001	to	435000	434,000
1	445001	to	450000	450,000
1	455001	to	460000	456,780
2	460001	to	465000	925,075
1	470001	to	475000	475,000
1	480001	to	485000	481,000
4	495001	to	500000	2,000,000
1	505001	to	510000	505,241
1	525001	to	530000	527,862
2	530001	to	535000	1,062,500
2	545001	to	550000	1,100,000
1	570001	to	575000	573,500
1	575001	to	580000	576,000
1	580001	to	585000	581,542
1	585001	to	590000	587,500
1	590001	to	595000	591,500
1	595001	to	600000	600,000
1	630001	to	635000	633,583
1	640001	to	645000	642,500
1	645001	to	650000	650,000
1	660001	to	665000	663,000
2	670001	to	675000	1,348,000
1	695001	to	700000	700,000
1	720001	to	725000	725,000
1	745001	to	750000	749,500
1	750001	to	755000	753,687
1	755001	to	760000	758,797

		Having Shares		
No. of Shareholders	From		To	Shares Held
1	880001	to	885000	885,000
1	945001	to	950000	945,936
2	995001	to	1000000	2,000,000
1	1005001	to	1010000	1,005,446
1	1075001	to	1080000	1,078,000
1	1095001	to	1100000	1,095,270
1	1205001	to	1210000	1,209,000
1	1215001	to	1220000	1,217,500
1	1305001	to	1310000	1,308,000
2	1345001	to	1350000	2,695,050
1	1355001	to	1360000	1,360,000
1	1375001	to	1380000	1,378,000
1	1380001	to	1385000	1,383,500
1	1455001	to	1460000	1,455,500
1	1540001	to	1545000	1,541,878
1	1760001	to	1765000	1,760,042
1	1780001	to	1785000	1,785,000
1	1805001	to	1810000	1,807,200
1	1830001	to	1835000	1,835,000
1	1875001	to	1880000	1,879,000
2	2015001	to	2020000	4,030,430
1	2085001	to	2090000	2,086,403
1	2200001	to	2205000	2,200,685
1	2205001	to	2210000	2,209,500
1	2525001	to	2530000	2,525,001
1	2620001	to	2625000	2,625,000
1	2625001	to	2630000	2,625,166
1	2675001	to	2680000	2,680,000
1	2840001	to	2845000	2,842,500
1	2895001	to	2900000	2,897,562
1	2980001	to	2985000	2,981,177
1	3305001	to	3310000	3,306,000
1	3320001	to	3325000	3,321,000
1	3770001	to	3775000	3,773,500
1	3920001	to	3925000	3,924,459
1	4310001	to	4315000	4,312,500
1	5115001	to	5120000	5,116,285
3	5155001	to	5160000	15,471,618
1	5225001	to	5230000	5,229,000
1	5255001	to	5260000	5,255,449
1	5295001	to	5300000	5,299,743
2	5355001	to	5360000	10,718,543
4	5370001	to	5375000	21,495,628
1	5555001	to	5560000	5,559,937
1	5655001	to	5660000	5,658,075
1	5845001	to	5850000	5,850,000
1	5970001	to	5975000	5,975,000
1	6195001	to	6200000	6,200,000
1	6240001	to	6245000	6,240,614

Pattern of Shareholding
as at December 31, 2014

No. of Shareholders	Having Shares From		To	Shares Held
2	6850001	to	6855000	13,703,462
1	7035001	to	7040000	7,039,929
2	7735001	to	7740000	15,471,618
1	8440001	to	8445000	8,441,356
1	8865001	to	8870000	8,866,946
1	8875001	to	8880000	8,879,446
1	9670001	to	9675000	9,673,500
2	10015001	to	10020000	20,039,578
1	10345001	to	10350000	10,348,435
1	11745001	to	11750000	11,749,863
1	12115001	to	12120000	12,117,349
1	13605001	to	13610000	13,610,000
1	15350001	to	15355000	15,351,172
2	15470001	to	15475000	30,943,236
1	17910001	to	17915000	17,913,706
1	21415001	to	21420000	21,416,500
1	22395001	to	22400000	22,400,000
1	25045001	to	25050000	25,048,000
1	25685001	to	25690000	25,686,043
1	36810001	to	36815000	36,810,995
1	39510001	to	39515000	39,512,487
1	40155001	to	40160000	40,158,014
1	41160001	to	41165000	41,163,375
1	46610001	to	46615000	46,610,769
1	47190001	to	47195000	47,192,397
1	54160001	to	54165000	54,162,859
1	54775001	to	54780000	54,778,336
1	62695001	to	62700000	62,700,000
1	80730001	to	80735000	80,731,860
1	88700001	to	88705000	88,704,439
1	92800001	to	92805000	92,800,380
1	113240001	to	113245000	113,244,241
1	124495001	to	124500000	124,500,000
1	126540001	to	126545000	126,544,836
1	128130001	to	128135000	128,131,834
1	142025001	to	142030000	142,027,255
1	215500001	to	215505000	215,500,206
11783				2,100,000,000

Financial Calendar

The financial results will be announced as per the following tentative schedule:

Annual General Meeting	April 30, 2015
1st Quarter ending March 31, 2015	Last week of April, 2015
2nd Quarter ending June 30, 2015	Third week of August, 2015
3rd Quarter ending September 30, 2015	Last week of October, 2015
Year ending December 31, 2015	Last week of January, 2016

Notes

Notes

Notes

Consent Form for Transmission of Audited Financial Statements along with Notice of AGM through E-mail

Date:

In-charge, Share Registrar Department
Central Depository Company of Pakistan Limited,
CDC House, 99-B, Block-B, S.M.C.H.S.,
Mian Shahra-e-Faisal
Karachi.
Customer Support Services: 0800-CDCPL(23275)
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Subject: Consent for Transmission of Audited Financial Statements along with Notice of Annual General Meeting through E-mail

I hereby instruct the company M/s Fatima Fertilizer Company Limited to send me the Company's annual balance sheet and profit and loss account, auditors' and directors' reports thereon along with notice of Annual General Meeting (AGM) (Audited Annual Financial Statements) at my email address as per detail given below:

FOLIO / CDS ACCOUNT NO.: ____________________

NAME OF SHAREHOLDER: ____________________

VALID E-MAIL ADDRESS: ____________________

CONTACT NO.: ____________________

CNIC NUMBER: ____________________

SIGNATURE OF SHAREHOLDER: ____________________

Yours sincerely,

Form of Proxy

12th Annual General Meeting

I/We ____

of ____

being a member(s) of Fatima Fertilizer Company Limited hold ______________________

Ordinary Shares hereby appoint Mr. / Mrs. / Miss ______________________

of ______________ or falling him / her ______________________

of ______________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 12th Annual General Meeting of the Company to be held on Thursday, April 30, 2015 and / or any adjournment thereof.

As witness my/our hand/seal this ______________ day of ______________ 2015.

Signed by ____

in the presence of ____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the office of our Shares Registrar not later than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

AFFIX
CORRECT
POSTAGE

Company Secretary
FATIMA FERTILIZER COMPANY LIMITED
E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.

Fatima Fertilizer Company Limited
E 110, Khayaban-e-Jinnah,
Lahore Cantt. Lahore 54000
Pakistan.

www.fatima-group.com