Fatima
Fertilizer Company Limited
a JV of Fatima and Arif Habib Groups

Leading in Agriculture TRANSFORMATION

Annual Report
2019

COVER STORY

Upholding its enviable reputation, Fatima is evolving through innovation and technological advancements into a leader in the sphere of modern agriculture. Realizing how its innovative product line along with digitization in agriculture and food sector can make an enormous impact on prosperity and food security of our country, it is now taking a lead in transforming agriculture through international and national collaborations and bringing modern technologies in Pakistan, thus taking the first step in changing the fate of farmers and farming. This is In line with the company's vision to create value throughout the agricultural value chain and thus enrich lives.

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KEY HIGHLIGHTS 2019

1,634 MT in "000"

Fertilizer Production

74,964 PKR in Million

Revenue

12,070 PKR in Million

Profit After Tax

20.04 Percentage

Return on Capital Employed

23,651 Numbers

Agriculture Farms Addressed

53.46 Million Hours

Combined Safe Million Man Hours (HSE)

106,529 Man Hours

Investing in Manpower

563 PKR in Million

Investment in CSR

5.75 Rupees

Earnings Per Share

2.00 Rupees

Dividend Per Share

6,750 PKR in Million

Contribution to National Exchequer

1,013 Numbers

Permanent Employees

10,504 Numbers

Trees Planted

48 Numbers

Women Development
(Female Staff in Head Office)

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 epitomizes, 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.

Integrity

Our actions are driven by honesty, ethics, fairness and transparency.

Innovation

We encourage creativity and recognize new ideas.

Teamwork

We work collectively towards a common goal.

Health, Safety, Environment & CSR

We care for our people and the communities around us.

Customer Focus

We believe in listening to our customers and delivering value in our products and services.

Excellence

We strive to excel in everything we do.

Valuing People

We value our people as our greatest resource.

CODE OF CONDUCT

Fatima Fertilizer Company Limited (Fatima) 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, 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.

OVERALL STRATEGIC OBJECTIVES

We aim to be the industry leader and a sustainable contributor to the nation's agricultural sector.

We aspire to continuously improve by achieving and exceeding global standards for product safety, quality, HSE, manufacturing and management excellence.

We continue to pursue a global reach by leveraging and maximizing our fertilizer / business potential. The Company aims to establish strategic alliance and partnerships with global technology providers in order to bring innovation and excellence in all our processes.

Our strategy revolves around the potential of our employees who are critical to our long term growth and success. Our Company provides the employees an opportunity to build their skills and professional capabilities while enjoying their work place. Critical to our strategy are also our technological resources and the image of our brand – Sarsabz.

MANAGEMENT'S OBJECTIVES & STRATEGIES FOR MEETING THOSE OBJECTIVES

Sr. No.	Management Objectives	Strategies / KPIs to meet Objectives
1	Aspire to be the market leader in fertilizer business	Annual market share increases above main competitors
2	Efficient deployment of resources	Positive cash flow from operations year on year
3	Investment in human resources and their capacities	Low turnover of high potential employees Providing career opportunities to talented professionals in an organized and transparent manner
4	Taking Global Initiatives	Think globally when evaluating business expansion.
5	Operational Excellence for optimum plant performance	Develop a Risk Management Strategy and ensure continuous improvement in business processes
6	Focus on enhancing sales	Through market share enhancement and geographical diversification while nurturing our relationship with existing customers and educating farmers on the use of Urea, NP, CAN, through use of state of the art technology
7	Make new in-roads in distribution and create new businesses and channels	At least one next generation solution to distribution and channel management. Leverage technology
8	Synergize investment and capacities	Excel in centralized strategy development and leverage technical, supply chain and other administrative functions
9	Augment profitability with cost effectiveness and lean business operations	Continuous improvement of Shared Services operations and consider profit center concepts for certain functions
10	Effective Financial Controls for swift decision making at all levels	Financial indicators and KPI driven timelines to be monitored for continuous improvement
11	To be a responsible business concern, through CSR and sustainability initiatives	Investments to be focused on maximum impact on our communities. Monitor impact on regular basis

Significant Changes in Objectives and Strategies

Fatima's long term business objectives and the strategies to meet those objectives are carefully developed and no major changes have occurred during the year to compel the Company to alter its approach to achieve these objectives. However, the Company is looking at expanding through diverse investments.

Relationship between Entity's Results and Management's Objectives

Performance of the Company is the realization of management's goals and objectives, which are strategically developed to increase the wealth of stakeholders. The said results are evaluated quarterly against the respective division's strategic objectives to confirm achievement.

NATURE OF BUSINESS

Fatima Fertilizer Company Limited is primarily involved in the manufacturing and marketing of fertilizers, capable of producing two intermediary products, i.e. Ammonia and Nitric Acid and three final products which are Urea, Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP).

The fertilizer complex is a fully integrated production facility occupying 1,086 acres of land located at Mukhtar Garh, Sadiqabad, District, Rahim Yar Khan and a Urea Manufacturing facility housed in 222 acres of land near Chichoki Mallian at Shiekhupura Road, Pakistan.

Fatima plays a significant role in nourishing soils and enhancing lives through its diverse fertilizer portfolio.

COMPANY PROFILE

Fatima Fertilizer Company Limited (Fatima) is a joint venture between two major business groups in Pakistan namely, Fatima and Arif Habib Group, with its head office located in Lahore. The fertilizer complex, producing mixed fertilizer products, is a fully integrated production facility, located at Sadiqabad, District Rahim Yar Khan. The foundation stone was laid on April 26, 2006 by the then Prime Minister of Pakistan. The Complex has a 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, at its construction peak, engaged over 4,000 engineers and technicians from Pakistan, China, USA, Japan and Europe.

The Complex had an initial 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 Ammonia plant was re-vamped to enhance its capacity by 10% along with an improvement in the energy index and reliability at a cost of USD 58 Million in 2015. In 2016, the CAN plant capacity was enhanced through an in-house modification, yielding an additional 22,000 MT production per annum. In 2017, Advanced Process Control project, the first of its kind in Pakistan, was implemented at the Ammonia plant, further enhancing capacity and improving the energy index by 1.5%. In 2019, NP Plant was debottlenecked to enhance its capacity via Rock Phosphate Route by 10 % i.e., an annual rise of 39,600 MT at a cost of USD ~ 2.5 Million. Further to that Phosphoric Acid addition scheme revamped production capacity of NP Plant by further 12% i.e., an annual rise of 48,500 MT of product at a cost of USD ~ 3.6 Million. Net annual rise in NP Plant capacity is ~ 22% i.e. annual rise of ~ 81,000 MT.

The Complex is housed on 1,086 acres of land, which provides modern housing for its employees with all necessary facilities, including a well-managed school, a medical center and a large number of sports facilities.

In 2015, the Company acquired a Urea manufacturing facility capable of producing 445,000 metric tons Urea annually located near Chichoki Mallian at Shiekhupura Road, Pakistan.

LANDMARK EVENTS

2003
- Company Incorporation

2004
- Gas Allocation

2005
- GSA Signing

2006
- April – Ground Breaking
- November – Financial Closure achieved

2009
- October – Ammonia Furnace 1st Fire
- November – CAN Plant Production

2010
- January – Initial Public Offering
- February – Ammonia Plant Production
- March – Urea Plant Production

2011
- April – NP Plant Production
- July – Declaration of Commercial Operations

2012
- May – Conversion and Redemption of Preference Shares

2013
- Ammonia Revamp Study Completed
- Basic Engineering Design contract for Ammonia Revamp awarded

2014
- Contract with Dupont signed for PSM
- Basic Engineering Design contract for Ammonia Revamp awarded

2015
- Ammonia Plant Revamped to enhance capacity by 10%
- Strategic acquisition of DH Fertilizers (now Sheikhupura Plant)
- Dupont declared Fatima Site OSHA Compliant at level 3.6

2016
- Achieved production of 1.38 Million ton.
- Issuance of Sukuk certificates. IPO over subscribed by more than 4 times.
- Successful completion of Ammonia Revamp and Debottlenecking Project with ''better than design'' results.

2017
- Awarded excellence rating by Dupont (Level-4) in safety systems
- Ammonia plant capacity enhanced by 3.5% and efficiency improved by 1.5% through various measures

2018
- Additional 14,000 MT NP production by Phosphoric Acid route
- 47 Safe Million Man Hours
- Zero Loss Time Injury
- Winner of first ever International Award – MarCom International USA

2019
- Amalgamation of our two fertilizer plants - Fatima Fertilizer and Fatimafert
- +53 Safe Million Man Hours
- NP revamp by 22%
- EMS 1st Party Audit & L-II Procedures Roll-out
- Ever Highest Urea Sale 811,000 ton
- Market Share improved from 20 to 23%
- Agricultural Technology MOUs and Co Sponsorship agreement with Chinese entities signed.
- Launch of Sarsabz Pakistan Salam Kissan – Kissan Day 2019

COMPANY INFORMATION

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh
Director

Mr. Faisal Ahmed Mukhtar
Director

Mr. M. Abad Khan
Director

Mr. Muhammad Kashif Habib
Director

Ms. Anja E. Nielsen
Independent Director

Mr. Tariq Jamali
Nominee Director - NBP

Director Finance & Chief Financial Officer

Mr. Asad Murad

General Counsel and Company Secretary

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

Key Management

Mr. Arif-ur-Rehman
Chief Manufacturing Officer

Mr. Ausaf Ali Qureshi
Director Special Projects

Mr. Khurram Javed Maqbool
Director Marketing & Sales

Ms. Sadia Irfan
Director Human Resources

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Atif Zaidi
Chief Information Officer

Mr. Salman Ahmad
Head of Internal Audit

Mr. Pervez Fateh
G.M. Manufacturing

Mr. Faisal Jamal
Corporate HSE, Technical Support & Organization Development Manager

Audit Committee Members

Ms. Anja E. Nielsen
Chairperson

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. M. Abad Khan
Member

Mr. Tariq Jamali
Member

HR and Remuneration Committee Members

Ms. Anja E. Nielsen
Chairperson

Mr. M. Abad Khan
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Nomination and Risk Management Committee Members

Mr. Fazal Ahmed Sheikh
Chairman

Mr. Muhammad Kashif Habib
Member

Mr. M. Abad Khan
Member

Legal Advisors

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

Auditors

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

Registrar and Share Transfer Agent

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

Bankers

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

Registered Office / Head Office

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

Plant Site

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

28-KM Sheikhupura Road, Chichoki Mallian, Pakistan
Tel: 042 – 37319200 – 99
Fax: 042 – 33719295

PROFILE 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 Chief Executive Officer of Arif Habib Corporation Limited and the Chairman of Pakarab Fertilizers Limited, Aisha Steel Mills Limited, Javedan Corporation Limited and Sachal Energy Development (Pvt) Limited.

Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatisation Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years, he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan.

Mr. Habib participates significantly in welfare activities. He is one of the trustees of Fatimid Foundation and Memon Health & Education Foundation as well as a director of Pakistan Centre for Philanthropy, Karachi Education Initiative and Karachi Sports Foundation.

As Chairman

Aisha Steel Mills Limited
Arif Habib Consultancy (Private) Limited
Arif Habib Foundation
Black Gold Power Limited
Fatima Fertilizer Company Limited
Javedan Corporation Limited
Karachi Sports Foundation
Pakarab Fertilizers Limited
Sachal Energy Development (Private) Limited

As Honorary Trustee / Director

Fatimid Foundation
Habib University
Karachi Education Initiative
Pakistan Centre for Philanthropy

As Director

Arif Habib Real Estate Services (Private) Limited
Fatima Cement Limited
International Builders and Developers (Private) Limited
National Resources (Pvt.) Limited
NCEL Building Management Limited
Pakarab Energy Limited
Pakistan Business Council
Pakistan Engineering Company Limited
Pakistan Opportunities Limited

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has extensive experience in manufacturing and industrial management. In addition to being a successful business leader, he is also a renowned philanthropist. After graduation, he has spent 30 years developing his family business into a sizable conglomerate.

Mr. Mukhtar leads several community service initiatives of the Group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School and Mukhtar A. Sheikh Welfare Trust, among others. He is also the Chairman of Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Air One (Private) Limited, Fatima Management Company Limited and is also the CEO of Pakarab Fertilizers Limited and Fatima Cement Limited. He is also the Director of Fatima Transmission Company Limited, Fatima Electric Company Limited and Pakarab Energy Limited. In addition, he is a member of the Board of Directors of the National Management Foundation, a sponsoring 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, Fatima Electric Company Limited, Fatima Transmission Company Limited, Fatima Management Company Limited, Pakarab Energy Limited and Air One (Private) Limited. He is also a member of the Board of Directors at Pakarab Fertilizers Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fazal Cloth Mills Limited, Fatima Cement Limited and Fatima Trade Company Limited.

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

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

PROFILE OF THE DIRECTORS CONT'D

Mr. Mohammad Abad Khan
Non-Executive Director

Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and after training in fertilizer manufacturing in Europe, worked with PIDC for 8 years on the first Urea plant in the Country.

Mr. Khan joined Exxon Chemical Pakistan at the time of project phase, got training abroad and worked for 15 years in various positions in manufacturing. Later, he joined Fauji Fertilizer Company as General Manager Plant. During the course of 14 years before his retirement, the manufacturing site worked par excellence and the site capacity increased to more than double due to a major revamp of the existing facility and an additional production line. In 2001, when Fauji Fertilizer Bin Qasim faced serious operational/financial challenges, Mr. Khan took responsibility as head of manufacturing and was instrumental in ensuring smooth operation and a major revamp of the plant during his 4 years of tenure.

Mr. Khan has been with Fatima Group for the last 14 years and has played a significant role in establishing Fatima Fertilizer plant and operational improvements in Pakarab Fertilizers Limited. He has extensive international exposure through seminars, symposiums and trainings including one at Harvard Business School. He is also Director of several other Group Companies namely Fatima Energy Limited, Pakarab Energy Limited, Fatima Ventures (Pvt) Limited, Fatima Cement Limited and Fatima Electric Company Limited.

Mr. Muhammad Kashif Habib
Non-Executive Director

Mr. Kashif A. Habib is the Chief Executive of Power Cement Limited. Being a member of the Institute of Chartered Accountants of Pakistan (ICAP) he completed his articleship from A.F. Ferguson & Co. (a member firm of Price Waterhouse Coopers), where he gained experience of a diverse sectors serving clients spanning the Financial, Manufacturing and Services industries.

He has to his credit four years of experience in Arif Habib Corporation Limited as well as over nine years' experience as an Executive Director in cement and fertilizer companies of the group.

Corporate Responsibilities

Power Cement Limited (Chief Executive)

As Director

Aisha Steel Mills Limited
Arif Habib Equity (Pvt) Limited
Arif Habib Foundation
Arif Habib Real Estate Services (Pvt) Limited
Black Gold Power Limited
Fatima Fertilizer Company Limited
Fatima Cement Limited
Memon Health and Education Foundation
Nooriabad Spinning Mills (Pvt) Limited
Pakarab Fertilizers Limited
Rotocast Engineering Company (Pvt) Limited
Safemix Concrete Limited
Siddiqsons Energy Limited

Ms. Anja E. Nielsen
Non-Executive / Independent Director

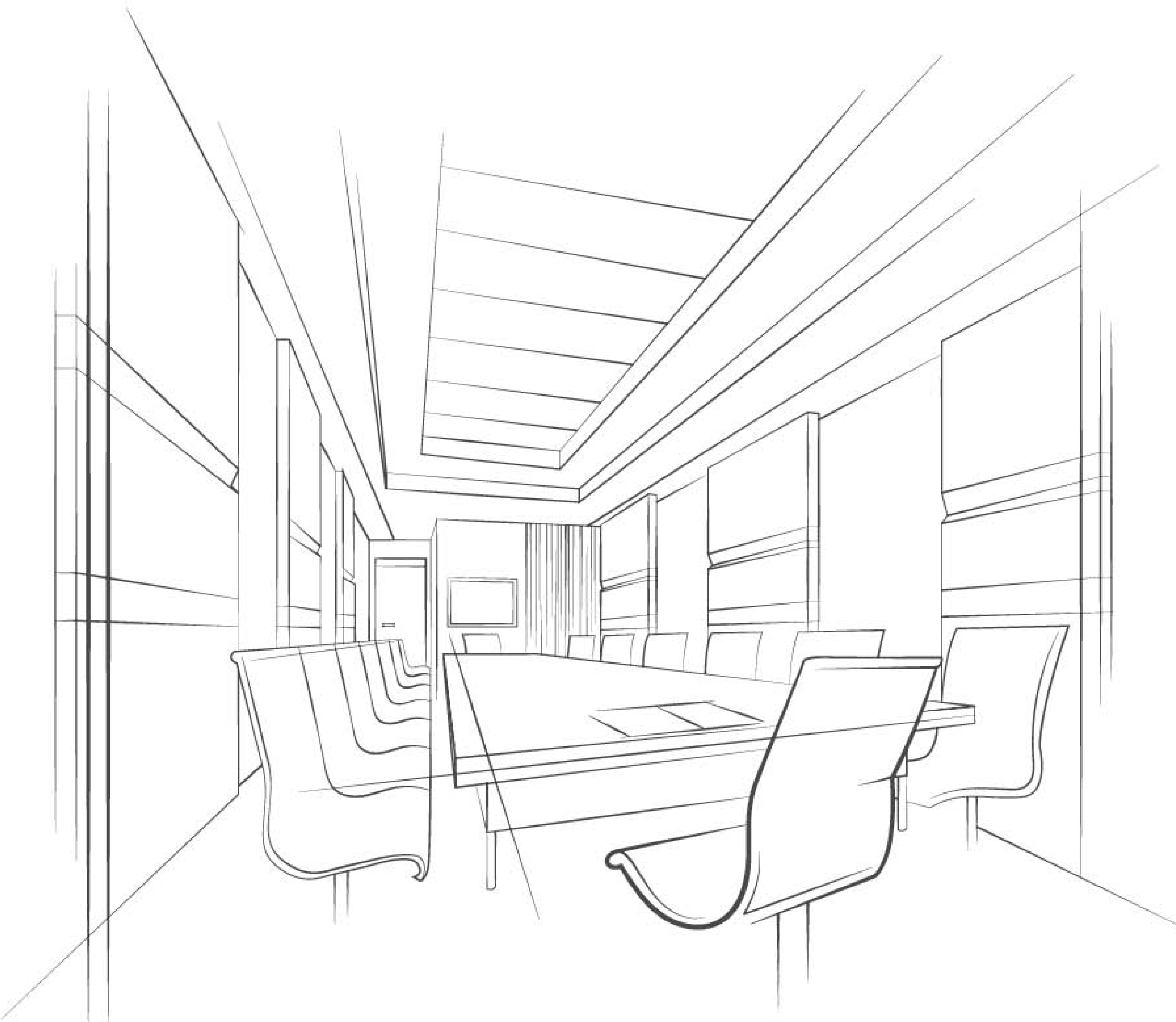
Ms. Anja E. Nielsen holds a M.Sc. in Chemical Engineering from Technical University of Denmark. She is employed with Haldor Topsøe A/S since 1988, and is currently working as Vice President, Head of Regional Sales Europe/Africa & Global Technical Service. Ms. Nielsen has more than 30 years of experience with Haldor Topsøe A/S, during which she has held various positions related to petrochemical plants including Technical Service Engineer, Area Sales Manager, Department Head of Group covering catalyst sales and technical services, General Manager for Global Marketing & Product Management – Syngas Catalyst, Vice President in Chemical Business Unit. She 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 & Group Chief Centralized Operations & Administration Group. Prior to that, he held the charge of President NBP (Acting). He joined National Bank of Pakistan in 1987 and has held numerous senior management positions at Regional and Head Office levels.

He headed Assets Recovery Group, Logistics Support Group, Commercial & Retail Banking Group and Compliance Group since 2009. His work experience spans more than 30 years at different key positions. He has diversified work experience, knowledge and knack of working at different levels of management. He holds MBA Degree from University of Dallas, USA and BS (Civil Engineering) from University of Texas at Arlington, USA and DAIBP from Institute of Bankers Pakistan, Karachi.

BOARD STRUCTURE AND COMMITTEES



Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. Currently, it comprises of eight directors including a female director, Ms. Anja Elisabeth Nielsen. Seven of the Board members have been elected by the shareholders for a term of three years which expired on April 30, 2020 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 would be reconstituted in forthcoming election of directors as per requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

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, a Human Resource and Remuneration Committee and a Nomination and Risk Management 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 directors including the Chairman and one Independent Director. The members are:

Ms. Anja Elisabeth Nielsen	Chairperson
Mr. Muhammad Kashif Habib	Member
Mr. Faisal Ahmed Mukhtar	Member
Mr. M. Abad Khan	Member
Mr. Tariq Jamali	Member

Terms of Reference and Salient Features

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 the 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, the 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 the 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 judgemental 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 consist of four members of the Board. All of the members of the Committee are non-executive directors including the Chairman and one Independent Director. The members are:

Ms. Anja Elisabeth Nielsen	Chairperson
Mr. M. Abad Khan	Member
Mr. Muhammad Kashif Habib	Member
Mr. Faisal Ahmed Mukhtar	Member

Terms of Reference and Salient Features

The Human Resource Committee is a body through 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:

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

2. 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.

3. 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.

Nomination and Risk Management Committee

Composition

The Nomination and Risk Management Committee consist of three members of the Board. The Committee comprises one Executive and two non-executive directors. The members are:

1. Mr. Fazal Ahmed Sheikh	Chairman
2. Mr. Muhammad Kashif Habib	Member
3. Mr. M. Abad Khan	Member

Terms of Reference and Salient Features

The specific responsibilities and authorities that the Committee carries out on behalf of the Board are as follows:

a) Duties relating to Risk Management Function:

i. To monitor and review of all material controls (financial, operational, compliance);

ii. To make recommendations to the Board on the Company's strategic risks and their mitigation in ensuring the achievement of the Company's overall strategy;

iii. To analyze and provide report to the Board on the results of the material investigations on the risks identified and management's feedback on the investigation and appropriate recommendations;

iv. To monitor and review the process of the risk management and advise to the Board about the improvements to be made;

v. To provide guidelines to the management on risk management and set up procedures to unveil, assess and manage material risk factors;

vi. To review the internal control policies in respect of the control procedures of risks, including the risk management and the communication;

vii. To ensure the risk management is embedded in the structure and culture of the management team within the Company;

viii. To review the adequacy of the Company's policies and procedures regarding the risk management system in consultation with the Company's management, external auditor and internal auditor;

ix. To consider appropriate extent of disclosure of company's risk framework and internal control system in Directors' report; and

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

b) Duties relating to Nomination Function:

i. To formulate selection policies and evaluation criteria for appointment of members of the Board and Board Committees;

ii. To recommend candidates for directorships for Board approval after evaluating their suitability;

iii. To recommend Directors to fill positions of Board Committees;

iv. To determine the annual assessment criteria and process to assess the effectiveness of the Board, its Committees and each individual Director;

v. To assess the effectiveness of the Board as a whole;

vi. To develop criteria to assess independence and to assess on an annual basis, the independence of the Independent Directors;

vii. To review Board succession plans;

viii. To review the training need for Directors and ensure Board members receive appropriate training programs; and

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

c) Authorities and Powers

The Committee is authorized and empowered:

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

ii. To constitute sub-committee(s) of the management as and when deemed necessary in order to discharge its duties and responsibilities.

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

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

KEY MANAGEMENT

Mr. Arif-ur-Rehman
Chief Manufacturing Officer

Mr. Arif-ur-Rehman joined Fatima in early 2007 and led the project successfully as Project Director. After project commissioning, he led the Manufacturing Division as 'Director Operations' and steered the site through a number of energy improvement and capacity enhancement initiatives, thus achieving above design capability. Since July 2016, he has moved to the Head Office in Lahore and now oversees the Fertilizer Manufacturing and Supply Chain functions of Fatima Group. He is a Chemical Engineer with over 37 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. Asad Murad
Director Finance / Chief Financial Officer

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In an over 22 year 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 Group Head of Internal Audit before being appointed to his current position as the Chief Financial Officer of the Company. As additional roles, he has served as the Head of Marketing & Sales in 2016 and 2017 and presently also serving as an active member of team responsible for gas sourcing and business sustainability and development.

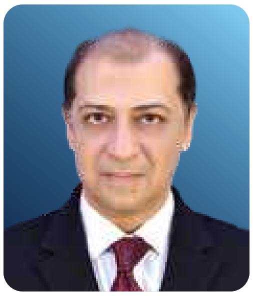
Mr. Omair Ahmed Mohsin
General Counsel and Company Secretary

Mr. Omair Mohsin graduated with a Juris Doctoris from Washington University in Saint Louis. He joined the Group in August 2019 as General Counsel and Company Secretary. He has over 18 years of experience and has previously been Ethics and Legal Head for ENGIE in its project in Pakistan. He has a diverse background ranging from litigation to corporate practice.

Mr. Ausaf Ali Qureshi
Director Special Projects

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 the additional responsibility for investor relations. He has over 37 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol-Myers Squibb (BMS). In his over 20 years career at BMS, he held various regional management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.



Mr. Khurram Javed Maqbool
Director Marketing & Sales

With over 22 years of association with the Marketing and Sales function, Mr. Khurram Javed Maqbool is the Director Sales & Marketing. He has served long tenures with organizations like Nestle and Engro. In his previous roles, Khurram has run Marketing and Sales operations entailing brand management, innovation, portfolio strategy, institutional sales, exports, category and channel development, merchandising, sales forecasting and cycle planning.

Mr. Maqbool's academic background includes a civil engineering degree from UET and an MBA from Lahore University of Management Sciences (LUMS). His efforts in the sales and marketing domain have been recognized through Consumer Choice Awards in 2005 and 2006, Nestle Hit Parade Award in 2006, Remarkable improvement in Sales Award in 2014 and Marcom Platinum Award in 2018 for Sarsabz testimonials.

Ms. Sadia Irfan
Director Human Resources

Ms. Sadia Irfan, is an accomplished HR professional with 25 years of applied HR experience. Carrying a Master degree in English Language & literature supported by degree in Human Psychology, she has earned several HR certifications & distinctions in the HR Space. She is a certified Hogan Executive Coach, recognised Career Coach and Mentor, and distinction holder in Advance Facilitation for Board program from UK to name a few.

Ms. Irfan's career is a continuous learning journey. She brings to Fatima at least two decades of senior HR leadership experience with MNCs like PepsiCo, Nestle & Electrolux across multiple International markets including West Asia, Middle East & Africa, Pakistan and Afghanistan. Besides being a FMCG Specialist, she has also been associated with the Pharmaceutical & white goods industries. She has earned her previous employers, prestigious Global Awards in Talent & D&I space.

During her career, Ms. Irfan has successfully led complexed HR projects including Start-up Operations, Merger & Acquisition, JV, Fix-It Operation & Close Down, all in multiple business models and operating environments such as Franchise Operation, OPCO, Company Operated Snacks & Beverage international business.

Ms. Irfan is recognized as a Strategic Business Partner with track record of building better businesses through cultural transformation. Her areas of expertise include Leadership Development, Driving Performance Culture, Design & Implementation of Change management Strategies, Employee Engagement & Productivity, and Organization Design & Development, Business Continuity Planning & Risk Management.

Her passionate leadership for female engagement and development is recognized in the corporate world as a great value addition to the Diversity & Engagement journey. She has participated in international programs and facilitated round tables and strategic discussions on Diversity & Inclusion & Engagement in the US, UK & China. Sadia has been an active guest speaker on strategic HR challenges at Pakistan and Middle East Forums.

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Iftikhar Mahmood Baig is Director Business Development of Fatima Group and is advising/supporting business sustainability and development/generation of new business opportunities as well as overseeing all regulatory affairs/issues. He has over 30 years of financial and commercial experience. During his over two decade tenure with Fatima Group, Mr. Baig has served in senior positions in various Group companies. He played an important role in the acquisition of Pakarab Fertilizers Limited in 2005 and its revival with MPCL gas in 2020. He was instrumental in successfully achieving Financial Close of the largest rupee syndication of PKR 23 billion in 2006 for the greenfield fertilizer manufacturing complex of Fatima Fertilizer Company Limited (Investment USD 750 million). He played a pivotal role in Gas/LNG sourcing for Fertilizer Plants and new ventures in the Power and E & P Sectors.

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Ahsen-ud-din has 37 years of management experience with leading companies like Engro Corporation (formerly Exxon Chemical Pakistan) where his last appointment was Vice President, Fauji Fertilizer and Kuwait National Petroleum. During his career, Mr. Ahsen-ud-din has a track record of executing several multi-million dollar petrochemical and fertilizer projects, he has also managed a number of world scale fertilizer and petrochemical manufacturing facilities while delivering best in class HSE performances.

Mr. Atif Zaidi
Chief Information Officer

Atif Zaidi is a seasoned IT executive and a US citizen with over 27 years of international experience in information technology, establishing digital environments, adoption of latest emerging technologies and enabling innovation capabilities. Prior to joining Fatima, Atif was serving as the CIO and Head of Technology & Digital Sector at NEOM, a $500 billion-dollar greenfield initiative of developing a 26,500 sq. km. independent state in the Northwest of Saudi Arabia.

Previously, Atif has held global leadership positions with responsibilities spanning across the US, EMEA, Asia Pacific and Latin America in notable blue-chip organizations like AT&T, The McGraw-Hill Companies, Pfizer, Obeikan Education and Sadara Chemical Company, a $30 billion-dollar joint venture between Aramco and Dow Chemical Company. He has considerable experience in government and country-wide national programs, manufacturing, petrochemical, oil and gas, education, pharmaceutical, medical, financial, and publishing sectors.

Atif is a globally recognized leader and keynote speaker with multiple publications. He has a Masters' Degree with a perfect graduating GPA of 4.0 from New Jersey Institute of Technology and a Bachelors' Degree from the same Institute in Electrical Engineering (Honors). He is also PMP and ITIL certified and holds several leadership certifications.

Mr. Salman Ahmad
Head of Internal Audit

Mr. Salman Ahmad joined Fatima Fertilizer as Head of Internal Audit in December 2016. He is a Fellow Chartered Accountant (FCA) from the Institute of Chartered Accountants of Pakistan, with over 25 years of experience in Audit and Finance in companies like Alrostamani Group Dubai UAE; Oasis Group Holdings (South Africa); Gharibwal Cement Limited and Emaar.

Mr. Pervez Fateh
G.M. Manufacturing

Mr. Pervez Fateh is heading the Fatima Fertilizer Plant Site, Sadiqabad as G.M. Manufacturing since April 20, 2020. He joined Fatima Group as Plant Head, PFL Multan on January 6, 2020 from Fauji Fertilizer Company, where he was serving as G.M. Manufacturing and Operations. During his services with Fauji Fertilizer, he served as General Manager at their both locations.

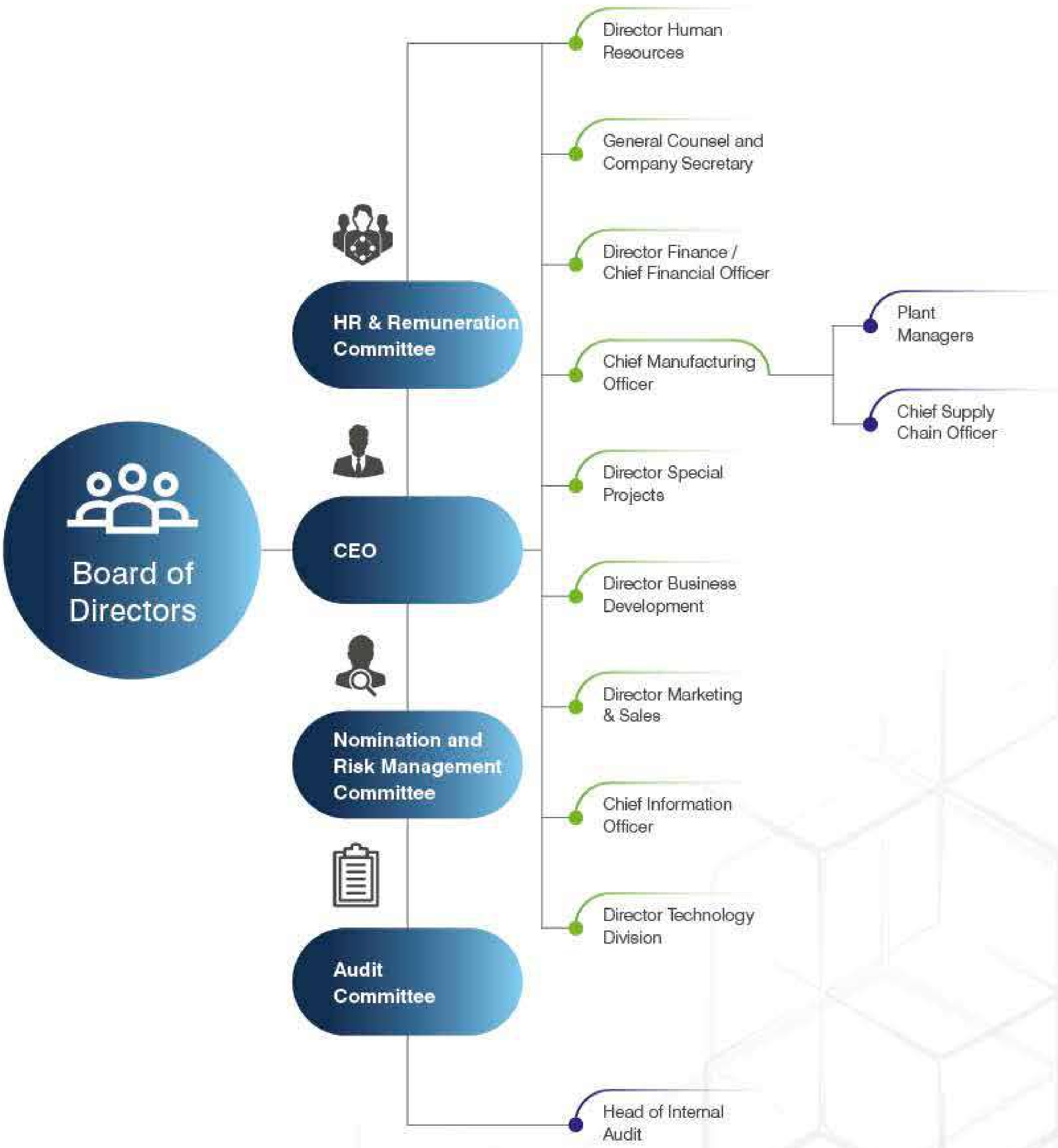
A hard core professional, having B.E (Mech) degree from NED University – Karachi, Mr. Fateh has over 32 years of rich experience in maintenance, inspection and management in Fertilizer Industry with demonstrated initiative, creativity and success. Strategic planning, capital asset oversight, cost containment, budgeting and staff training/ mentoring are his forte. He has multiple successful projects under his belt. He has also attended many prestigious leadership development programs at LUMS, University of Michigan (USA) and MIT (USA).

Mr. Fateh is also involved in philanthropic activities and heads his own NGO Azm-e-Nau Foundation working in the areas of upper Sindh and Northern Punjab, with prime focus on poverty alleviation and educational support.

Mr. Faisal Jamal
Corporate HSE, Technical Support & Organization Development Manager

Mr. Faisal Jamal leads Fatima Group's Corporate HSE, Technical Support and Organization Development teams. A chemical engineer by qualification with more than 21 years of professional experience, he possesses strong leadership, technical safety, HSE culture enhancement and risk management foundation augmented by rich experience in process engineering and operations. His experience in fertilizer manufacturing, oil & gas exploration and production, and refining businesses has enabled him to utilize his expertise with a broader perspective and a sustainable approach. Mr. Jamal has represented Fatima Group at various prestigious international and national events hosted by institutions and organizations like MIT, AIChE and ASSP.

ORGANIZATIONAL CHART



CHAIRMAN'S MESSAGE

Mr. Arif Habib
Chairman

Your company is an essential component of Pakistan's food security efforts and will continue to play its role in ensuring our rural economy is protected from any potential turbulence.

Being an agrarian economy Fertilizer demand is a pivot for rural economic growth. Demand in 2019 registered growth with the overall industry offtake (Nitrogen + Phosphate) increasing by 2% to 9,270K MT from 9,099K MT sold last year, mainly due to 7% rise in Urea sales. 2019 was another strong year for Fatima Fertilizer Company Limited with sales volume growing 17.1% over last year. This demonstrates that the products of your company are well received in the market. The Marketing, Sales and Technical Services teams have conducted very effective fertilizers campaigns that acknowledge the hard working Kissan of Pakistan and show that they are valued. Our Sadiqabad plant saw some disruptions during the year under review affecting planned production. Our team has taken appropriate measures to avoid it in the future. I would like to thank all employees and other stakeholders for their hard work and devotion in making 2019 another successful year.

چئیرمین کا پیغام

آپکی کمپنی پاکستان کی فوڈ سیکیورٹی کاوشوں کا اہم جزو ہے اور کمپنی دیہی معیشت کو ممکنہ مشکلات سے بچانے کیلئے اپنا کردار ادا کرتی رہے گی۔ ایک زرعی معیشت ہونے کی وجہ سے دیہی معاشی ترقی کیلئے کھاد کی طلب لازم وملزوم ہے۔ 2019 میں مجموعی انڈسٹری کی رجسٹرڈ گروتھ (نائٹروجن + فاسفیٹ) کے مطابق طلب میں 2 فیصد اضافہ ہوا اور یہ 9099 ہزار میٹرک ٹن سے بڑھ کر 9207 ہزار میٹرک ٹن تک جا پہنچی جو کہ بنیادی طور پر یوریا سیلز میں 7 فیصد اضافہ کی وجہ سے تھی۔ 2019 فاطمہ فرٹیلائزر کمپنی لمیٹڈ کیلئے ایک اور مضبوط سال ثابت ہوا اور گزشتہ سال کے مقابلہ میں سیلز حجم میں 17.1 فیصد اضافہ ہوا۔ یہ اس بات کی نشاندہی ہے کہ آپ کی کمپنی کی مصنوعات کو مارکیٹ میں بیحد پذیرائی ملی۔ مارکیٹنگ سیلز اور ٹیکنیکل سروسز ٹیموں نے بہت موءثر کھاد مہمات چلائیں جن میں پاکستان کے محنتی کسانوں کو خراج تحسین پیش کیا گیا اور یہ پیغام دیا گیا کہ ہمارے ملک کے کسان قابل قدر اور قابل عزت ہیں۔ زیر جائزہ مدت کے دوران ہمارے صادق آباد پلانٹ میں کچھ رکاوٹیں آئیں جو کہ متوقع پیداوار پر اثر انداز ہوئیں۔ ہماری ٹیم نے مستقبل میں اس سے بچنے کیلئے مناسب اقدامات اٹھائے۔ میں تمام ملازمین اور سٹیک ہولڈرز کا اُنکی سخت محنت اور لگن پر تہہ دل سے شکر گزار ہوں اور بیشک اُن ہی کی بدولت سال 2019 ہمارے لئے ایک اور کامیاب سال ثابت ہوا۔

CEO'S MESSAGE

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Your company has demonstrated again in 2019 that it can grow and adapt to the most challenging business environment.

Overall Fertilizer market registered a 2% growth over last year. The Company's profitability remained under check due to high inflation, devaluation and increasing Policy Rate by State Bank of Pakistan.

Company's cash flow remained under pressure due to rising receivables from the Government primarily on account of highly imbalanced Sales Tax regime. Despite these challenges, Company's earnings per share are almost in line with last year at Rs 5.75 (Rs 5.67 in 2018).

This year, we achieved an additional landmarks i.e. the amalgamation of two of our Fertilizer plants i.e. Fatima Fertilizer and Fatimafert. This will allow the Company to further consolidate its business and implement additional cost optimization initiative.

Our Corporate Strategy is reflected in our theme to provide leadership in Agriculture Transformation. Our country and its farming community need the corporate sector to spearhead initiatives that developed agri economies have tested and implemented successfully. Our Sales, Marketing and Technical Services teams have excellent resources and will be building on their existing partnership to introduce technological advances in the agrarian space.

Despite a few machine related operational issues that were addressed in a timely manner, our manufacturing operations continued to achieve excellence level of performance and have an enviable safety record of 53.46 safe million man hours without injury. The high HSE standards have been acknowledged on international forums.

I would like to compliment and thank all employees for their hard work and dedication through a challenging year. I am confident that working together we will continue to deliver on our Vision of safety, quality, productivity and contribution to national economy.

چیف ایگزیکٹو آفیسر کا پیغام

آپ کی کمپنی نے سال 2019 میں ایک بار پھر یہ ثابت کیا کہ وہ ترقی کے زینے طے کر سکتی ہے اور مشکل ترین کاروباری حالات کے مطابق خود کو ڈھال سکتی ہے۔ گزشتہ سال کے دوران فرٹیلائزر مارکیٹ میں مجموعی طور پر 2 فیصد ترقی دیکھنے میں آئی۔ افراطِ زر، روپے کی قدر میں کمی اور سٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں اضافہ کی وجہ سے کمپنی کا منافع دباؤ کا شکار رہا۔ بنیادی طور پر انتہائی غیر متوازن سیلز ٹیکس نظام کی وجہ سے حکومت کو زیادہ ادائیگیاں کی گئیں جس کی وجہ سے کمپنی کا کیش فلو دباؤ کا شکار رہا۔ ان چیلنجز کے باوجود کمپنی کی فی شیئر آمدن گزشتہ سال 5.67 روپے کے مقابلے میں 5.75 روپے رہی۔

اس سال ہم نے اپنے دو پلانٹس فاطمہ فرٹیلائزر اور فاطمہ فرٹ کی یکجائی کا اضافی سنگ میل عبور کیا جو کہ کمپنی کے کاروبار کی مضبوطی اور ایڈیشنل کاسٹ آپٹیمائزیشن جیسے اقدام پر عملدرآمد کا پیش خیمہ ثابت ہوگا۔

زرعی تبدیلی میں لیڈ پیدا کرنے کیلئے ہماری کارپوریٹ سٹرٹیجی ہمارے خیالیہ میں واضح دکھائی دیتی ہے۔ ہمارے ملک اور اس کی فارمنگ کمیونٹی کو اشد ضرورت ہے کہ کارپوریٹ سیکٹر ترقی یافتہ زرعی معیشتوں میں جانچے اور کامیابی سے عملدرآمد کیے گئے اقدامات کی ترجمانی کرے۔ ہماری سیلز، مارکیٹنگ اور ٹیکنیکل سروسز ٹیمیں شاندار وسائل کی حامل ہیں اور زرعی شعبہ میں ٹیکنالوجی سے متعلقہ جدت کیلئے موجودہ شراکتوں میں مزید بہتری کیلئے سرگرم رہیں گی۔

مشین سے متعلقہ چند آپریشنل مسائل کے علاوہ (جو کہ بروقت حل کیے گئے) ہمارے پیداواری اُمور بہترین کارکردگی کے ساتھ جاری رہے اور ہم نے کسی حادثہ کے بغیر 53.46 ملین محفوظ پیداواری گھنٹوں کا ہدف حاصل کیا۔ بہترین ایچ ایس ای معیارات کو بین الاقوامی سطح پر پذیرائی ملی۔

میں تمام ملازمین کو اُنکی مسلسل محنت اور لگن پر مبارکباد پیش کرتا ہوں اور اُنکا شکرگزار ہوں۔ میں پُر اُمید ہوں کہ ہم حفاظت، معیار، پیداوار اور ملکی معیشت میں مثبت حصہ داری پر توجہ دیتے ہوئے اپنے ویژن کے مطابق مل کر کام کرنا جاری رکھیں گے۔

DIRECTORS' REPORT

to the Shareholders for the year ended December 31, 2019

The Directors of the Company are pleased to present the Annual Report for the year 2019.

This year we present the combined Financial Statements of our two fertilizer plants as the wholly owned subsidiary of the Company, Fatimafert Limited (herein after referred as "Sheikhupura Plant") which owned and operated a Urea manufacturing facility at Sheikhupura Road near Chichoki Mallian, stands amalgamated with and into the Company with effect from January 01, 2019, in accordance with the Scheme of Amalgamation ('the Scheme') approved by the Board of Directors and the members of the Company in their Extra Ordinary General Meeting held on August 23, 2019. The scheme has been sanctioned by the Lahore High Court through its order dated March 03, 2020. The Comparative information has also been presented in the Financial Statements accordingly.

Market Overview

Fertilizer demand in the country remained strong as total industry (Nitrogen + Phosphate) offtake increased by 2% to 9,270K MT from 9,099K MT sold last year, resulting mainly from 7% rise in Urea sales to 6,228K MT against 5,807K MT in 2018. The growth is promising, given the fact that primarily due to gas price increase by Govt., on the average Urea prices were almost 20% higher this year when compared with last year. This demonstrates a strong need on part of Government of Pakistan to ensure continued operation of all the indigenous Urea manufacturing plants of the country for timely supply of required fertilizer to the farmers and to save itself from spending heavy amounts of foreign exchange in importing and then subsidizing the fertilizer for the local market.

Offtake of CAN declined significantly by 22% due to non-availability of the product owing to complete shut-down of other CAN manufacturing facility in the country due to gas supply reasons. DAP offtake remained muted due to fluctuating prices and declined to 2,031K MT from 2,238K MT last year. Progressive farmers all over the country continued to use NP recognizing the potential extra gains in farm yields from application of balanced nutrients for the crops.

Company Performance

Despite of plant shut down for 23 days owing to biennial Turnaround activity, the combined production volumes achieved for the year increased by 8% over last year, owing to almost around the year operation of our Sheikhupura Plant (previously operating as Fatimafert Limited) which produced 428K MT Urea during the year, as it continued to receive RLNG as per arrangements approved by the Government. During the year under review, Sadiqabad Plant faced some technical issues due to which planned production target for the year could not be achieved. The issues have been addressed and the Company has taken all the necessary measures for disruptions-free optimum level operations of Sadiqabad Plant in the future.

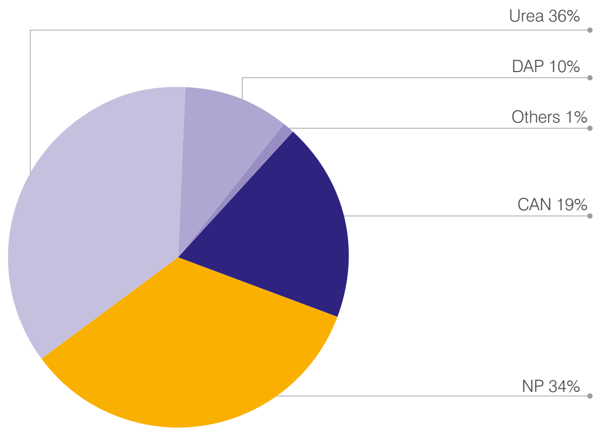
Due to improved availability of own manufactured fertilizers and considerable increase in sales of imported DAP, overall sales volume increased handsomely by 17.1% over last year. Urea offtake increased by 17.4% on the back of improved product availability resulting from almost round the year operations of our Sheikhupura Plant. Combined sale of CAN and NP posted a growth of 8.3% over last year, reflecting confidence of the farmers on these products to improve their farm yields. In order to further increase its footprint in the market the Company also imported and sold a healthy volume of DAP.

Sales Volume		
Product	**2019 Tons**	**2018 Tons**
Urea	777,526	662,034
CAN	471,828	499,608
NP	477,992	377,726
DAP	106,702	26,371
Total	**1,834,048**	**1,565,739**

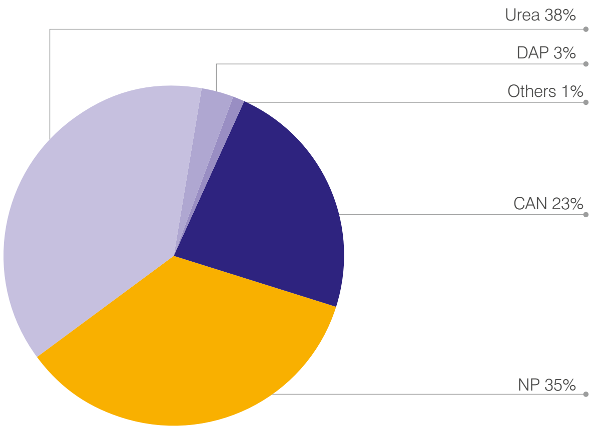
Financial Performance

As a result of substantial increase in sale volumes of both own manufactured fertilizers and imported DAP, coupled with firm product prices throughout the year, the Company achieved considerable growth in sales revenue. Urea was the dominant contributor to the revenue with 36% share, followed closely by NP with 34% share and then by CAN and DAP with 19% and 10% respectively.

Sales Mix - 2019



Sales Mix - 2018



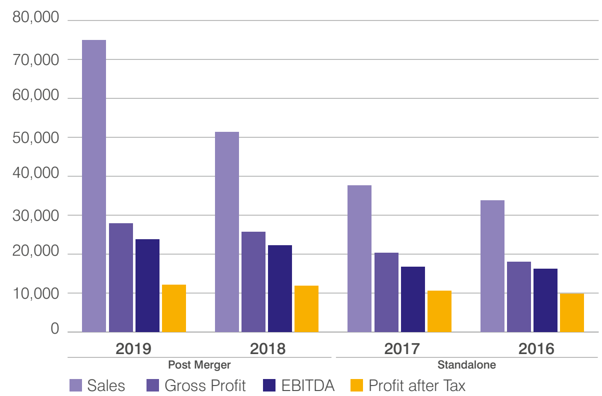
Rising input costs from high inflation and depreciating Pak Rupee limited the increase in Gross Profit to 9% over last year's Rs. 25.67 billion to Rs. 27.90 billion for the year. Due to high cost of gas charged during the year, operations at Sheikhupura Plant could not add positive contribution towards profitability of the Company. Since last year, the fertilizer industry is stuck with a regime where it suffers input sales tax at 5% to 17% but collects output tax at 2% only which results in cumulation of heavy amounts of refunds receivable from the Government creating burden on the cash flows. Due to the increasing Policy Rate by SBP and strain of considerable funds stuck with the Government in shape of always increasing balance of Sales Tax refunds, the borrowing cost of the Company more than doubled over last year. Resultantly the net profit for the year increased only slightly by 1.31% to Rs. 12.07 billion compared to Rs. 11.91 billion last year. Earnings per Share comes to Rs. 5.75 per share against last year's Rs. 5.67 per share.

Financial Highlights

	Post Merger				Standalone			
	2019		2018		2017		2016	
	PKR Million	% age	PKR Million	% age	PKR Million	% age	PKR Million	% age
Turnover	74,964		51,310		37,612		33,765	
Gross Profit	27,899	37.22	25,671	50.03	20,337	54.07	17,985	53.27
EBITDA	23,776	31.71	22,204	43.27	16,771	44.59	16,177	47.91
Profit after Tax	12,070	16.10	11,913	23.22	10,576	28.12	9,782	28.97
EPS (PKR)	5.75		5.67		5.04		4.66	

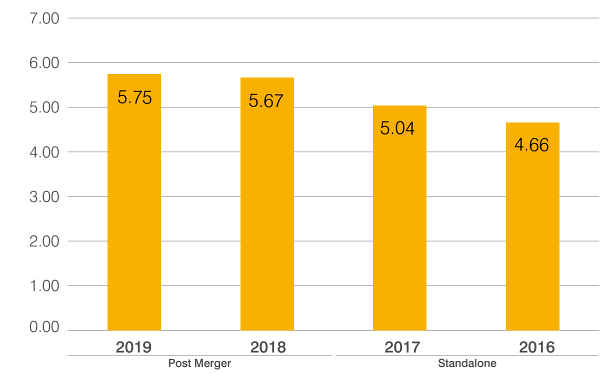
Financial Performance

Rupees in Million



Earnings Per Share

Rupees

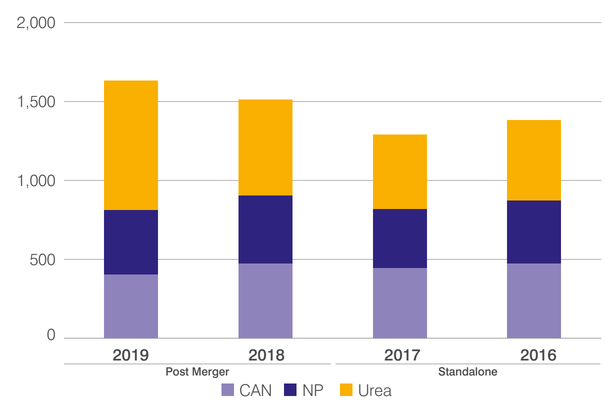


Operations

Due to healthy production volume achieved from Sheikhupura plant, owing to its almost round the year operation, the overall fertilizer production volume increased by 8% over last year despite shut down of Sadiqabad Plant for 23 days due to biennial turnaround activity. Consequently, the production volume of Urea increased by 35%, while CAN and NP declined by 15% and 5% respectively over last year.

Production

Metric Tons in '000'



Capacity Utilization

	Post Merger		Standalone	
Plant	**2019**	**2018**	**2017**	**2016**
Urea, CAN and NP	95%	88%	101%	108%

Gross Profit

The healthy sales volumes resulting from robust demand and firm product prices resulted in achievement of considerable growth in sales revenue over last year. However, due to rising input costs resulting from inflationary pressures, depreciating domestic currency and operation of Sheikhupura plant at high cost RLNG, gross profit could move up only by 9% over last year's Rs. 25.67 billion to Rs. 27.90 billion for the year.

Finance Cost

Due to sizable ongoing capital funding requirements of the Company and the strain of billions of Rupees stuck with the Government of Pakistan in the shape of Sales Tax refunds, owing to imbalance in Input Tax at 5%-17% and Output Tax at 2% and Subsidies receivable, the balance of Short Term Finances trebled over last year's balance. The ever increasing base rate added further strain as it climbed up by around 30% over last year. Owing to all of these reasons, Finance Cost of the Company increased by 106% over last year.

Dividends

The Board of Directors in its meeting held on June 01, 2020 has proposed a final Cash Dividend @ Rs. 2.00 per share i.e. 20% for approval of the members at the Annual General Meeting to be held on June 29, 2020.

The financial statements do not reflect this proposed dividend.

Appropriations	PKR in thousand
Un appropriated profit brought forward	46,904,969
Dividend 2018	(3,675,000)
Net profit for the year 2019	12,069,682
Profit available for appropriations	55,299,651
Appropriations	–
Unappropriated profit carried forward	**55,299,651**

Financial Management

Despite facing all the pressures on its cash flow as stated above, all the financial commitments falling due during the year were timely met. Apart from its routine obligations during the year, the Company keeps on investing heavily in projects for future growth and sustainability.

As a testament to its strong financial position, the Company at year end, had more than Rs. 7.34 billion available in unutilized borrowing limits from financial institutions.

With highly favorable gearing position the Company is deliberating upon further options to maintain and enhance its earnings for the benefit of its stakeholders.

Financial Highlights

Key operating and financial data of previous years has been annexed herewith.

Contribution to National Exchequer

Being a responsible corporate citizen of the country, the Company continued to contribute significantly towards the National Exchequer. An amount of PKR 7.30 Billion (2018: PKR 7.70 Billion) was contributed during the year in respect of Custom duties, Sales tax and Income tax.

Statement as to the Value of Investment of Provident Fund

The value of the investment of the provident fund is PKR 1,424.53 million. The figure is unaudited for the year under review.

Future Outlook

FY 2019 was marked with our campaign 'Salam Kissan' (Salute to Farmers) as we pay homage to the progressive farmers of our country who are enriching our soils and the lives of the people of our country through use of modern agriculture methods and application of value added fertilizers. While focusing on benefits of digitalization, mechanization and use of latest technologies, your Company is working aggressively to further strengthen its association with the farmers. All of these efforts of your Company would lead to prosperity of the farmers through better crop yields, eventually resulting in food security and prosperity for Pakistan.

The future looks very promising with the increase in fertilizer application during the year as well as increasing penetration of our value added products in the market. We hope necessary fiscal support in the shape of farmer friendly Government policies, removal of incompatible sales tax regime and lowering interest rates will further strengthen the industry. As a responsible corporate citizen your Company will continue to play a vital role in revival of the economy with passion and dedication.

With its strong asset base and financial position, the Company will continue to explore further opportunities both inside and outside the fertilizer sector, for further improvement of value for its associates and 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. 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, 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;
f) There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations; and
g) There are no significant doubts upon the Company's ability to continue as a going concern.

Changes in the Board

There was no change in the composition of Board of Directors of the Company for the year under review.

The composition of the Board is as follows:

1. Mr. Arif Habib
2. Mr. Fawad Ahmed Mukhtar
3. Mr. Fazal Ahmed Sheikh
4. Mr. Faisal Ahmed Mukhtar
5. Mr. M. Abad Khan
6. Mr. Muhammad Kashif Habib
7. Ms. Anja E. Nielsen
8. Mr. Tariq Jamali

Changes in the Audit Committee

During the year under review, there has been no change in the audit committee members. The names of members of audit committee are as follows:

1.	Ms. Anja Elisabeth Nielsen	Chairperson
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Faisal Ahmed Mukhtar	Member
4.	Mr. Tariq Jamali	Member
5.	Mr. M. Abad Khan	Member

Changes in the Human Resource and Remuneration Committee

During the year under review, there has been no change in the human resource and remuneration committee members. The names of members of Human Resource and Remuneration Committee are as follows:

1.	Ms. Anja Elisabeth Nielsen	Chairperson
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Faisal Ahmed Mukhtar	Member
4.	Mr. M. Abad Khan	Member

Nomination and Risk Management Committee

The Board has constituted a Nomination and Risk Management Committee consisting of three members of the Board. The Committee comprises one Executive and two non-executive directors. The names of members are:

1.	Mr. Fazal Ahmed Sheikh	Chairman
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. M. Abad Khan	Member

Board and Committees' Meetings and Attendance

During the year under review, five meetings of the Board of Directors and four meetings of Audit Committee and one meeting of HR & Remuneration Committee were held from January 01, 2019 to December 31, 2019. The attendance of the Board, Audit and HR & Remuneration Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings	HR & Remuneration Committee Meetings
Mr. Arif Habib	5	N/A	N/A
Mr. Fawad Ahmed Mukhtar	5	N/A	N/A
Mr. Fazal Ahmed Sheikh	2	N/A	N/A
Mr. Faisal Ahmed Mukhtar	5	0	0
Mr. M. Abad Khan	5	4	1
Mr. Muhammad Kashif Habib	5	4	1
Ms. Anja Elisabeth Nielsen	1	0	1
Mr. Tariq Jamali	5	3	N/A

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

Name	No. of Shares	Nature of Transaction
Anja Elisabeth Nielsen	5,000	Purchase
Fatima Holding Limited	149,172,742	Merger Out
Fatima Holding Limited	169,784,446	Merger Out
Fatima Holding Limited	1,903,334	Merger Out
Muhammad Younas	500	Sale
Arif-ur-Rehman	37,000	Sale
Syed Omair Ahmad Bokhari	500	Sale
Arif-ur-Rehman	6,000	Purchase
Arif-ur-Rehman	6,000	Sale
Muhammad Arif Habib	30,000,000	Purchase

Pattern of Shareholding

The pattern of shareholding and categories of shareholders as of December 31, 2019, as required under the Pakistan Stock Exchange Regulations, have been annexed herewith along with the Proxy Form.

Code of Conduct

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

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has maintained the long term and short term entity ratings of the Company at AA- and A1+ respectively. The ratings reflect strong business profile of the company on the back of diversified product mix and very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Internal Audit

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, to provide an independent and objective evaluation on the effectiveness of governance, risk management and control activities. The Internal Audit function is progressing from a conventional function into a business partner and advisory role by following a proactive approach towards effective corporate governance through risk mitigation, adding value within the business process and creating synergies at the group level. 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 takes appropriate measures.

The function is effectively utilizing risk control matrices, to prioritize and develop its annual plan and to strengthen the internal controls through periodic reviews of all the functions / processes in the organization.

Internal Audit also emphasizes the importance of Business Continuity and completeness of Risk Control means to have seamless operations at entity level that is currently being implemented.

External Auditors

M/s. Deloitte Yousuf Adil, Chartered Accountants, the retiring auditors of the Company, being eligible, offered themselves for re-appointment. The Board Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 17th Annual General Meeting, as auditors of the Company for the year ending December 31, 2020 at a fee to be mutually agreed.

Health, Safety and Environment

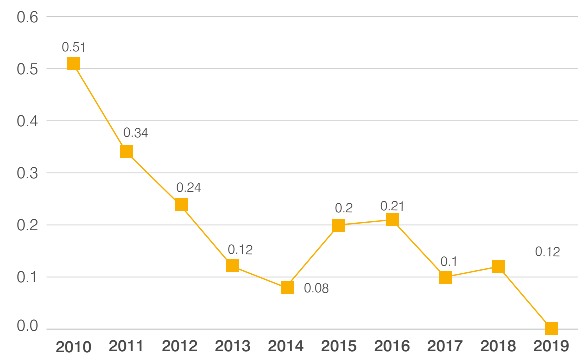
Our HSE performance remained exceptional during 2019 and we completed 53.46 million safe million man hours without a Lost Time Injury (LTI) with a Total Recordable Injury Rate (TRIR) of zero. Achievement of zero TRIR becomes more prominent considering Fatima Fertilizer underwent a major Turn-Around in March-April 2019, during which 7,400 jobs were completed successfully. Fatima Fertilizer was ranked 25 based on 2018 TRIR by International Fertilizer Association (IFA) out of 77 international companies which participated in the survey.

We continued to be a safety leader in the local fertilizers industry and have received numerous international safety awards such as distinction in International Safety Award by British Safety Council, Gold RoSPA Award (UK) & Community Award by National Safety Council, USA. On individual level, one of our Process Safety Engineers received the Rising Star 2019 award by National Safety Council, USA. Close and continuous monitoring of Risk and Culture based HSE leading indicators and implementing timely corrective actions have been the key factors in enhancing our HSE performance as per applicable international standards.

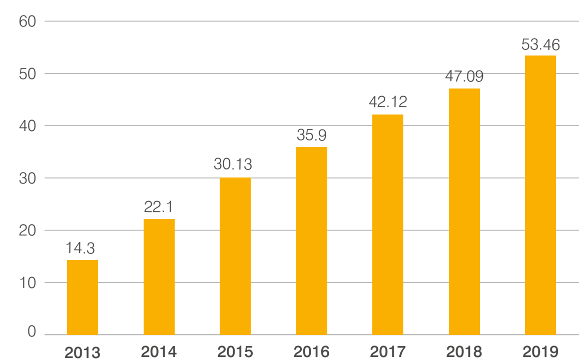
We are also implementing DuPont's Environment Management System (EMS) to reduce the environmental footprint and achieve industrial recognition in environmental compliance and excellence. No major environment related complaint was received, and all parameters remained within stipulated limits. Numerous environment related campaigns were successfully executed in 2019 including Environment Walk, Environment Quiz and Plantation at National Highway under the Green Pakistan Campaign.

Comprehensive monitoring and self auditing regimes remained in focus backed by internal and external audits. Management Safety Audits, Emergency Response Drills, Plant Reliability Enhancement Program, Occupational Health & Industrial Hygiene and Customized Housekeeping Audits are salient examples.

Total Recordable Incident Rate (TRIR)



Safe Million Man Hours



Information Technology

Information Technology Division (ITD) continues to be a key component in Fatima Fertilizer. It has established structure to provide support and facilitate projects to meet the business needs. ITD has enabled organization to make better and faster decisions to improve overall efficiency of business processes by implementing tools designed for a more collaborative organization and reshaping the applications to enhance mobility options for both our internal and external stakeholders, where appropriate. Our enterprise architecture ensures a strategic approach to meet business needs in a timely and cost effective manner.

Sustainability Initiatives and CSR

In today's VUCA world, sustainability is defined as our ability to keep a laser focus on our present without compromising our ability to perform with a purpose in the future. We focus our energies not only on business sustainability delivering financial performance but also being responsible for environment and human sustainability.

Fatima carefully aligned its sustainability initiatives to create an impact on larger levels. Adding to the cause of green revolution, through our “Let the Green Be Seen” Campaign, Fatima planted more than ten thousand trees at its manufacturing sites. Our sustained focus on sponsoring Education, and Health initiatives is built further on our Company run Schools, Vocational Training Institutes, Dispensaries and Clinics, which continue to bring benefits to the deserving masses across the Country.

Human Resource Management and Employees Relations

Fatima recognizes and celebrates its biggest strength, It’s People! Talent Sustainability remains the cornerstone of Fatima’s People Strategy. Building and strengthening employee capability for sustained business growth materialized in several new initiatives in 2019 in addition to reconfiguration of functions to provide the right focus to key business properties.

Continuation of strategy-based human resource management advanced the organization to achieve an agile and engaged workforce. Our sustained laser focus on ensuring the development of employee is completely in line with Fatima’s Values and Guiding Principles, with the right investment in future skills, embarking on cultural programs and automation of HR processes for optimized operating environment.

The launch and implementation of initiatives like the group-wide development of Functional Competencies and its integration in the Development Need Analysis, enhancements in Employee Development Framework resulted in an average of 2.68 training days per employee. More than 700 Values Round Table Sessions were conducted engaging 1000+ employees to ensure ethical business practices and “Doing Business The Right Way”, remains on top of our Employees’ minds.

The seed development of talent pipeline, targeted through Empower to Lead Program, provided the outreach opportunity to 5,000+ candidates from 11 universities across Pakistan. Moreover, the existing talent pipeline was further strengthened through Bench Strength Development initiatives with development opportunities for the identified successors.

Fatima also conducted its first Organization Health Survey successfully with 98% completion rate and carried out detailed action planning across the board. This was another successful step towards making Fatima the best place to work. We are confident that the cumulative impact of these initiatives will continue to propel Fatima in the right direction towards its Vision & Strategy.

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
Chief Executive Officer
Lahore
June 01, 2020

Arif Habib
Chairman

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹران سال 2019 کیلئے سالانہ رپورٹ پیش کرتے ہوئے انتہائی خوشی محسوس کر رہے ہیں

کمپنی کی کارکردگی:

بائینل ٹرن اراؤنڈ ایکٹیویٹی (Biennial Turnaround Activity) کی وجہ سے 23 روز تک پلانٹ کی بندش کے باوجود زیر جائزہ سال کے دوران مجموعی پیداواری حجم میں گزشتہ سال کی نسبت 8 فیصد اضافہ ہوا، جو کہ شیخوپورہ پلانٹ (سابقہ فاطمہ فرٹ لمیٹڈ کے طور پر فعال) میں تقریباً سال بھر جاری رہنے والے آپریشنز کی بدولت ممکن ہوا۔ اس پلانٹ سے حکومت کے منظور شدہ انتظامات کے مطابق آر ایل این جی کی وصولی جاری رکھتے ہوئے سال میں 428,000 میٹرک ٹن یوریا کی پیداوار حاصل کی گئی۔ زیر جائزہ سال کے دوران صادق آباد پلانٹ میں درپیش کچھ تکنیکی مسائل کی وجہ سے مطلوبہ پیداواری ہدف حاصل نہ کیا جاسکا۔ ان مسائل کا جائزہ لیا جاچکا ہے اور کمپنی نے مستقبل میں کسی رکاوٹ کے بغیر بہترین انداز میں آپریشنز جاری رکھنے کیلئے تمام ضروری اقدامات کیے ہیں۔

ذاتی تیار کردہ کھادوں کی بہتر دستیابی اور درآمد کردہ ڈی اے پی کی فروخت میں نمایاں اضافہ کی وجہ سے مجموعی سیلز حجم میں گزشتہ سال کے مقابلے میں 17.1 فیصد اضافہ ہوا۔ یوریا کی زیادہ آسان دستیابی کی وجہ سے اس کی فروخت میں 17.4 فیصد اضافہ ہوا، جو کہ شیخوپورہ پلانٹ میں سال بھر مسلسل پیداواری عمل جاری رہنے کی وجہ سے یقینی بنا۔ CAN اور NP کی مجموعی فروخت میں گزشتہ سال کے مقابلہ میں 8.3 فیصد اضافہ ہوا، جو کہ زیادہ پیداوار کیلئے کسان کے ہماری پراڈکٹس پر اعتماد کی نشانی ہے۔ مارکیٹ میں اپنے قدم مزید پختہ کرنے کیلئے کمپنی نے ایک نمایاں مقدار میں ڈی اے پی درآمد کر کے بھی فروخت کی۔

مالی کارکردگی:

ذاتی تیار کردہ کھادوں اور درآمد کردہ ڈی اے پی دونوں کے سیلز حجم میں قابل ذکر اضافے اور سال بھر قیمتوں میں استحکام کی بدولت کمپنی کے سیلز ریونیو میں نمایاں اضافہ ہوا۔ یوریا 36 فیصد شیئر کے ساتھ اس میں نمایاں حصہ دار رہا جبکہ N P کا شیئر معمولی فرق سے 3 4 فیصد رہا اور C A N اور D A P کا حصہ بالترتیب 19 فیصد اور 10 فیصد رہا۔

افراط زر کی وجہ سے اخراجاتی لاگت بڑھنے اور روپے کی قدر میں کمی کی وجہ سے مجموعی منافع میں اضافہ 9 فیصد تک محدود رہا جو کہ گزشتہ سال کے 25.67 بلین روپے کے مقابلہ میں رواں سال 27.90 بلین روپے رہا۔ گیس کے چارجز زیادہ ہونے کی وجہ سے شیخوپورہ پلانٹ کمپنی کے منافع میں مثبت حصہ داری یقینی نہ بنا سکا۔ گزشتہ سال سے فرٹیلائزر انڈسٹری کو ایسے سسٹم کا سامنا ہے جہاں اسے ان پٹ ٹیکس 5 سے 17 فیصد تک برداشت کرنا پڑتا ہے جبکہ وہ آؤٹ پٹ ٹیکس محض 2 فیصد کے حساب سے اکٹھا کرتی ہے۔ اس عدم توازن کی وجہ سے حکومت کو زیادہ ادائیگی کرنا پڑتی ہے جو کہ کیش فلوز پر دباؤ کا باعث بنتی ہے۔ سٹیٹ بینک آف پاکستان کی جانب سے بڑھتے پالیسی ریٹ اور حکومت کے پاس سیلز ٹیکس ری فنڈز کے مسلسل بڑھتے بیلنس کی بدولت خطیر فنڈز پھنسنے کے دباؤ کی وجہ سے گزشتہ سال کے دوران کمپنی کی Borrowing کاسٹ میں دوگنا اضافہ ہوا۔ جس کا نتیجہ نیٹ منافع میں 1.31 فیصد کے معمولی اضافہ کی صورت میں نکلا اور یہ نیٹ منافع گزشتہ سال کے 11.91 بلین روپے کے مقابلہ میں 12.07 بلین روپے رہا۔ جبکہ فی شیئر آمدن 5.75 روپے رہی جو کہ گزشتہ سال کے دوران 5.67 روپے فی شیئر تھی۔

مجموعی منافع:

زیادہ طلب اور پراڈکٹ کی مستحکم قیمتوں کے نتیجہ میں سیلز حجم اچھا رہا جس کی وجہ سے گزشتہ سال سیلز ریونیو میں نمایاں اضافہ ہوا۔ تاہم افراط زر کے دباؤ، مقامی کرنسی کی قدر میں کمی اور شیخوپورہ پلانٹ میں آر ایل این جی کی زیادہ قیمت کے ساتھ آپریشنز سرانجام دینے کی وجہ سے بڑھنے والی ان پٹ لاگت کی بدولت جی پی میں صرف 9 فیصد اضافہ ہوا جو کہ گزشتہ سال کے 25.67 بلین روپے کے مقابلہ میں 27.90 بلین روپے رہا۔

مستقبل کا نقطہ نظر:

مالی سال 2019 ہماری "سلام پاکستان" کی مہم کے ساتھ ممتاز رہا۔ اس مہم کے ذریعے ہم نے جدید زرعی طریقوں اور ویلیو ایڈڈ کھادوں کے استعمال کے ذریعے مٹی کو زرخیز اور لوگوں کی زندگی خوشحال بنانے والے اپنے ملک کے ترقی پسند کسانوں کو خراج عقیدت پیش کیا۔ ڈیجیٹلائزیشن، میکانائزیشن اور جدید ٹیکنالوجی کے استعمال پر توجہ مرکوز رکھتے ہوئے آپ کی کمپنی کسانوں کے ساتھ شراکت مزید مضبوط بنانے کیلئے پوری تندہی سے کام کر رہی ہے۔ آپ کی کمپنی کی یہ تمام کاوشیں بہتر پیداوار، حفظان صحت کے مطابق غذا کی فراہمی اور پاکستان کی ترقی کے ذریعے کسان کی خوشحالی کی ضامن بنیں گی۔

سال کے دوران کھاد کے استعمال میں اضافہ کے ساتھ ساتھ ویلیو ایڈڈ پراڈکٹس کی مارکیٹ میں بڑھتے اثر و رسوخ کی بدولت مستقبل انتہائی تابناک دکھائی دیتا ہے۔ ہم حکومت کی کسان دوست پالیسیوں، متضاد سیلز ٹیکس نظام کے خاتمہ اور شرح سود میں کمی کی صورت میں اہم مالی تعاون کیلئے پُرامید ہیں جو کہ بلاشبہ انڈسٹری کے استحکام میں ممدومعاون ثابت ہوگا۔ ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے کمپنی بھرپور جذبے اور لگن کے ساتھ معیشت کی بحالی میں اپنا اہم کردار جاری رکھے گی۔

Annexures to the Directors' Report

KEY PERFORMANCE INDICATORS

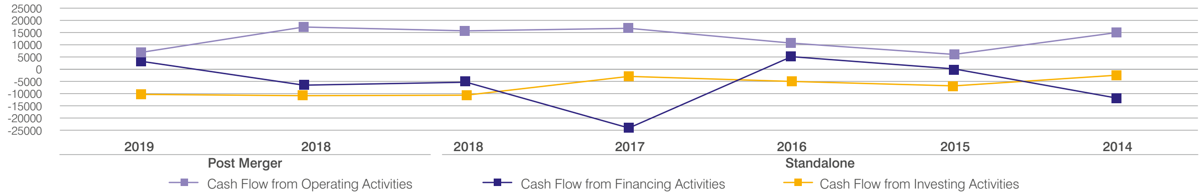
		Post Merger		Standalone				
	Unit	**2019**	2018	2018	2017	2016	2015	2014
PROFITABILITY								
Gross profit	%	37.22	50.03	57.61	54.07	53.27	56.30	59.33
EBITDA margin	%	31.72	43.27	50.62	44.59	47.91	51.58	53.93
Operating profit	%	27.95	36.28	43.43	39.71	42.55	46.08	49.53
Profit before tax	%	22.94	32.72	40.27	33.86	34.43	38.21	39.12
Net profit	%	16.10	23.22	28.88	28.12	28.97	30.61	25.60
Return on equity	%	15.47	17.12	21.32	19.68	20.65	23.00	25.19
Return on capital employed	%	20.04	19.26	23.48	18.59	18.09	20.23	26.14
Return on total assets	%	13.51	14.52	18.15	15.03	12.99	14.69	21.55
LIQUIDITY / ACTIVITY								
Current ratio	Times	0.88	0.89	1.09	1.10	1.03	0.66	0.97
Quick / Acid test ratio	Times	0.65	0.70	0.89	0.90	0.83	0.39	0.79
Debt to assets	Times	0.50	0.46	0.43	0.46	0.57	0.58	0.56
Cash from operations to sales	Times	0.09	0.34	0.34	0.45	0.32	0.20	0.41
Inventory turnover	Times	5.34	4.20	4.41	3.44	2.38	2.73	5.46
Stock holding period	Days	68.31	86.84	82.82	106.24	153.61	133.80	66.80
Fixed assets turnover	Times	0.71	0.51	0.57	0.48	0.43	0.41	0.53
Total assets turnover	Times	0.53	0.40	0.44	0.36	0.33	0.34	0.44
CAPITAL STRUCTURE								
Debt : Equity		14:86	19:81	17:83	23:77	32:68	33:67	39:61
Interest cover	Times	5.57	10.21	13.76	6.79	5.24	5.85	4.76
Financial leverage	Times	0.37	0.31	0.29	0.34	0.63	0.75	0.66
Debt service coverage	Times	2.09	2.97	3.28	2.17	1.69	1.78	2.01
Total liabilities to net worth	Times	0.99	0.84	0.77	0.85	1.33	1.36	1.26
Weighted average cost of debt	%	15.02	7.91	8.01	6.80	7.38	9.53	11.38
INVESTMENT / MARKET								
Market price per share	Rs	26.59	36.47	36.47	30.88	36.89	44.73	35.77
Book value per share	Rs	37.15	33.14	29.65	25.59	22.56	19.16	17.50
Market to book value per share	Times	0.72	1.10	1.23	1.21	1.64	2.33	2.04
Earnings per share	Rs	5.75	5.67	6.32	5.04	4.66	4.41	4.41
Price earning	Times	4.63	6.43	5.77	6.13	7.92	10.15	8.11
Dividend per share	Rs	2.00	1.75	1.75	2.25	3.25	–	2.75
Dividend cover	%	287.37	324.18	361.15	223.83	143.33	–	160.31
Dividend yield	%	7.52	4.80	4.80	7.29	8.81	–	7.69
Dividend payout	%	34.80	30.85	27.69	44.68	69.77	–	62.38

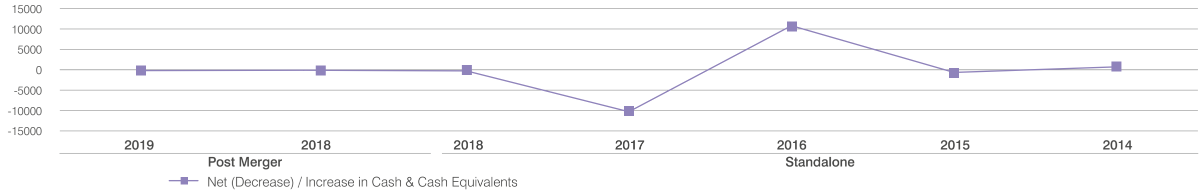
CASH FLOWS SUMMARY

PKR in Million	Post Merger 2019	Post Merger 2018	Standalone 2018	Standalone 2017	Standalone 2016	Standalone 2015	Standalone 2014
Cash Flows From Operating Activities							
Cash generated from operations	16,434	22,112	21,020	20,895	14,639	9,748	19,405
Net increase / (decrease) in long term deposits	4	1	(2)	1	18	-	33
Finance costs paid	(3,158)	(1,777)	(1,394)	(2,290)	(2,754)	(2,498)	(3,891)
Taxes paid	(6,345)	(3,013)	(3,889)	(1,795)	(1,183)	(1,177)	(528)
Employee retirement benefits paid	(55)	(44)	(27)	(57)	(37)	(19)	(18)
Net cash from operating activities	6,879	17,280	15,708	16,754	10,682	6,054	15,000
Cash Flows From Investing Activities							
Fixed capital expenditure	(11,379)	(8,654)	(8,618)	(1,906)	(2,237)	(5,520)	(2,814)
Proceeds from disposal of property, plant and equipment	2	2	1	2	1	-	-
Long term loan to associated company - net	-	-	-	-	(799)	800	-
Long term investments	-	(2)	(2)	-	(132)	(2,021)	(1)
Short term loans	-	(2,000)	(2,106)	(1,518)	(1,949)	(500)	-
Short term investments	157	(471)	(471)	-	(200)	-	-
Net decrease/(increase) in long term loans and deposits	173	(140)	(140)	16	(111)	(5)	(3)
Profit received on short term loans and saving accounts	725	414	692	458	415	409	352
Net cash used in investing activities	(10,322)	(10,851)	(10,644)	(2,948)	(5,012)	(6,837)	(2,466)
Cash Flows From Financing Activities							
Repayment of long term finances	(7,685)	(7,396)	(5,908)	(5,518)	(15,747)	(6,375)	(5,875)
Proceeds from long term finances	4,000	2,156	2,156	-	17,628	2,645	1,000
Oversubscribed sukuk	-	-	-	(8,093)	8,093	-	-
Repayment of lease liabilities	(291)	-	-	-	-	-	-
Dividend Paid	(3,554)	(4,681)	(4,681)	(4,200)	(2,620)	(5,770)	(5,246)
Increase/(decrease) in short term finance - net	10,770	3,378	3,096	(6,285)	(2,218)	9,630	(1,703)
Net cash from/(used in) financing activities	3,240	(6,543)	(5,337)	(24,096)	5,136	130	(11,824)
Net (decrease) / increase in cash and cash equivalents	(203)	(115)	(273)	(10,290)	10,805	(654)	711
Cash and cash equivalents at beginning of the year	717	832	810	11,100	295	949	238
Cash and cash equivalents at end of the year	515	717	538	810	11,100	295	949

Cash Flows from Operating, Investing and Financing Activities

Rupees in Million





VERTICAL ANALYSIS

Statement of Financial Position

	Post Merger				Standalone									
	2019		2018		2018		2017		2016		2015		2014	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Non current assets														
Property, plant and equipment	100,721	64.9%	91,719	71.5%	78,262	71.2%	72,990	73.5%	72,941	66.0%	73,409	77.4%	68,823	82.8%
Intangible assets	5,974	3.9%	5,979	4.7%	79	0.1%	38	0.0%	18	0.0%	26	0.0%	30	0.0%
Investment property	628	0.4%	-	-	-	-	-	-	-	-	-	-	-	-
Long term investments	175	0.1%	146	0.1%	2,240	2.0%	2,238	2.3%	2,238	2.0%	2,106	2.2%	86	0.1%
Long term loan to associated company	2,999	1.9%	1,999	1.6%	1,999	1.8%	2,999	3.0%	2,999	2.7%	2,200	2.3%	-	0.0%
Long term deposits	82	0.1%	255	0.2%	254	0.2%	114	0.1%	130	0.1%	19	0.0%	13	0.0%
Total non current assets	110,577	71.3%	100,097	78.1%	82,835	75.3%	78,380	78.9%	78,327	70.8%	77,760	82.0%	68,952	83.0%
Current assets														
Stores and spares	7,713	5.0%	5,834	4.6%	5,059	4.6%	4,745	4.8%	4,972	4.5%	4,460	4.7%	4,090	4.9%
Stock in trade	11,518	7.4%	6,100	4.8%	5,028	4.6%	3,814	3.8%	6,243	5.6%	7,003	7.4%	2,681	3.2%
Trade debts	7,207	4.6%	2,565	2.0%	2,397	2.2%	1,796	1.8%	2,116	1.9%	335	0.4%	448	0.5%
Short term loans	3,242	2.1%	3,242	2.5%	6,073	5.5%	3,967	4.0%	2,449	2.2%	500	0.5%	3,000	3.6%
Loans, advances, deposits and prepayments	13,814	8.9%	9,030	7.0%	7,398	6.7%	5,627	5.7%	5,191	4.7%	4,436	4.7%	3,000	3.6%
Short term investment	530	0.3%	623	0.5%	623	0.6%	198	0.2%	200	0.2%	-	-	-	-
Cash and bank balances	515	0.3%	717	0.6%	538	0.5%	810	0.8%	11,100	10.0%	295	0.3%	949	1.1%
Total current assets	44,539	28.7%	28,111	21.9%	27,116	24.7%	20,957	21.1%	32,271	29.2%	17,029	18.0%	14,169	17.0%
Total assets	155,116	100.0%	128,208	100.0%	109,951	100.0%	99,336	100.0%	110,597	100.0%	94,789	100%	83,121	100%
Capital and reserves														
Issued, subscribed and paid up capital	21,000	13.5%	21,000	16.4%	21,000	19.1%	21,000	21.1%	21,000	19.0%	21,000	22.2%	21,000	25.3%
Reserves	57,008	36.8%	48,595	37.9%	41,261	37.5%	32,742	33.0%	26,374	23.8%	19,229	20.3%	15,757	19.0%
Total capital and reserves	78,008	50.3%	69,595	54.3%	62,261	56.6%	53,742	54.1%	47,374	42.8%	40,229	42.4%	36,757	44.2%
Non current liabilities														
Long term finance	6,254	4.0%	8,377	6.5%	6,888	6.3%	10,774	10.8%	16,343	14.8%	13,168	13.9%	17,335	20.9%
Leased liabilities	279	0.2%	-	-	-	-	-	-	-	-	-	-	-	-
Deferred liabilities	19,943	12.9%	18,609	14.5%	15,807	14.4%	15,764	15.9%	15,642	14.1%	15,412	16.3%	14,421	17.3%
Long term deposits	61	0.0%	57	0.0%	49	0.0%	51	0.1%	51	0.0%	33	0.0%	33	0.0%
Total non current liabilities	26,536	17.1%	27,043	21.1%	22,744	20.7%	26,589	26.8%	32,035	29.0%	28,613	30.2%	31,789	38.2%
Current liabilities														
Trade and other payables	26,484	17.1%	18,069	14.1%	13,688	12.4%	11,435	11.5%	17,375	15.7%	8,626	9.1%	7,326	8.8%
Accrued finance cost	837	0.5%	306	0.2%	224	0.2%	168	0.2%	259	0.2%	260	0.3%	259	0.3%
Short term finance - secured	16,265	10.5%	5,495	4.3%	4,822	4.4%	1,726	1.7%	8,011	7.2%	10,229	10.8%	600	0.7%
Unclaimed dividend	190	0.1%	69	0.1%	69	0.1%	25	0.0%	24	0.0%	20	0.0%	15	0.0%
Current maturity of leased liablities	571	0.4%	-	-	-	-	-	-	-	-	-	-	-	-
Current maturity of long term finances	6,225	4.0%	7,631	6.0%	6,142	5.6%	5,652	5.7%	5,518	5.0%	6,812	7.2%	6,375	7.7%
Total current liabilities	50,572	32.6%	31,570	24.6%	24,945	22.7%	19,005	19.1%	31,188	28.2%	25,948	27.4%	14,575	17.5%
Total liabilities and equity	155,116	100.0%	128,208	100.0%	109,951	100.0%	99,336	100.0%	110,597	100.0%	94,789	100.0%	83,121	100.0%

HORIZONTAL ANALYSIS

Statement of Financial Position

	Post Merger			Standalone									
	2019	2018	19' vs 18'	2018	18' vs 17'	2017	17' vs 16'	2016	16' vs 15'	2015	15' vs 14'	2014
PKR in Million	**PKR**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Non current assets												
Property, plant and equipment	100,721	91,719	10%	78,262	7.2%	72,990	0.1%	72,941	-0.6%	73,409	6.7%	68,823
Intangible assets	5,974	5,979	0%	79	105.9%	38	113.3%	18	-32.1%	26	-12.3%	30
Investment property	628	0	100%	-	-	-	-	-	-	-	-	-
Long term investments	175	146	20%	2,240	0.1%	2,238	0.0%	2,238	6.3%	2,106	2354.9%	86
Long term loan to associated company	2,999	1,999	50%	1,999	-33.3%	2,999	0.0%	2,999	36.3%	2,200	-	-
Long term deposits	82	255	-68%	254	122.6%	114	-12.0%	130	600.8%	19	39.5%	13
Total non current assets	110,577	100,097	10%	82,835	5.7%	78,380	0.1%	78,327	0.7%	77,760	12.8%	68,952
Current assets												
Stores and spares	7,713	5,834	32%	5,059	6.6%	4,745	-4.6%	4,972	11.5%	4,460	9.0%	4,090
Stock in trade	11,518	6,100	89%	5,028	31.8%	3,814	-38.9%	6,243	-10.9%	7,003	161.2%	2,681
Trade debts	7,207	2,565	181%	2,397	33.5%	1,796	-15.1%	2,116	531.5%	335	-25.3%	448
Short term loans	3,242	3,242	0%	6,073	53.1%	3,967	62.0%	2,449	389.8%	500	-83.3%	3,000
Loans, advances, deposits and prepayments	13,814	9,030	53%	7,398	31.5%	5,627	8.4%	5,191	17.0%	4,436	47.9%	3,000
Short term investment	530	623	-15%	623	214.6%	198	-1.2%	200	-	-	-	-
Cash and bank balances	515	717	-28%	538	-33.6%	810	-92.7%	11,100	3660.1%	295	-68.9%	949
Total current assets	44,539	28,111	58%	27,116	29.4%	20,957	-35.1%	32,271	89.5%	17,029	20.2%	14,169
Total assets	155,116	128,208	21%	109,951	10.7%	99,336	-10.2%	110,597	16.7%	94,789	14.0%	83,121
Capital and reserves												
Issued, subscribed and paid up capital	21,000	21,000	0%	21,000	0.0%	21,000	0.0%	21,000	0.0%	21,000	0.0%	21,000
Reserves	57,008	48,595	17%	41,261	26.0%	32,742	24.1%	26,374	37.2%	19,229	22.0%	15,757
Total capital and reserves	78,008	69,595	12%	62,261	15.9%	53,742	13.4%	47,374	17.8%	40,229	9.4%	36,757
Non current liabilities												
Long term finance	6,254	8,377	-25%	6,888	-36.1%	10,774	-34.1%	16,343	24.1%	13,168	-24.0%	17,335
Leased liabilities	279	0	100%	-	-	-	-	-	-	-	-	-
Deferred liabilities	19,943	18,609	7%	15,807	0.3%	15,764	0.8%	15,642	1.5%	15,412	6.9%	14,421
Long term deposits	61	57	7%	49	-4.4%	51	1.0%	51	53.8%	33	0%	33
Total non current liabilities	26,536	27,043	-2%	22,744	-14.5%	26,589	-17.0%	32,035	12.0%	28,613	-10.0%	31,789
Current liabilities												
Trade and other payables	26,484	18,069	47%	13,688	19.7%	11,435	-34.2%	17,375	101.4%	8,626	17.7%	7,326
Accrued finance cost	837	306	173%	224	33.5%	168	-35.3%	259	-0.2%	260	0.4%	259
Short term finance - secured	16,265	5,495	196%	4,822	179.4%	1,726	-78.5%	8,011	-21.7%	10,229	1606.1%	600
Unclaimed dividend	190	69	176%	69	180.3%	25	1.7%	24	23.0%	20	33.3%	15
Current maturity of leased liabilities	571	0	100%	-	-	-	-	-	-	-	-	-
Current maturity of long term finances	6,225	7,631	-18%	6,142	8.7%	5,652	2.4%	5,518	-19.0%	6,812	6.9%	6,375
Total current liabilities	50,572	31,570	60%	24,945	31.3%	19,005	-39.1%	31,188	20.2%	25,948	78.0%	14,575
Total liabilities and equity	155,116	128,208	21%	109,951	10.7%	99,336	-10.2%	110,597	16.7%	94,789	14.0%	83,121

Annexures to the Directors' Report

VERTICAL ANALYSIS

Statement of Profit or Loss

	Post Merger				Standalone									
	2019		2018		2018		2017		2016		2015		2014	
PKR in Million	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%
Sales	74,964	100.0%	51,310	100.0%	45,964	100.0%	37,612	100.0%	33,765	100.0%	30,226	100.0%	36,169	100.0%
Cost of Sales	(47,065)	-62.8%	(25,639)	-50.0%	(19,483)	-42.4%	(17,275)	-45.9%	(15,780)	-46.7%	(13,209)	-43.7%	(14,708)	-40.7%
Gross Profit	27,899	37.22%	25,671	50.0%	26,481	57.6%	20,337	54.07%	17,985	53.3%	17,017	56.30%	21,461	59.3%
Distribution Cost	(3,800)	-5.1%	(3,685)	-7.2%	(3,630)	-7.9%	(3,482)	-9.3%	(2,383)	-7.1%	(1,782)	-5.9%	(1,449)	-4.0%
Administrative Expenses	(2,779)	-3.7%	(2,317)	-4.5%	(2,098)	-4.6%	(1,534)	-4.1%	(1,308)	-3.9%	(1,021)	-3.4%	(1,346)	-3.7%
	21,320	28.4%	19,669	38.3%	20,754	45.2%	15,321	40.7%	14,294	42.3%	14,214	47.0%	18,666	51.6%
Finance Cost	(3,761)	-5.0%	(1,823)	-3.6%	(1,450)	-3.2%	(2,198)	-5.8%	(2,739)	-8.1%	(2,379)	-7.9%	(3,767)	-10.4%
Other Operating Expenses	(1,480)	-2.0%	(1,708)	-3.3%	(1,708)	-3.7%	(913)	-2.4%	(631)	-1.9%	(861)	-2.8%	(1,374)	-3.8%
	16,079	21.4%	16,138	31.5%	17,595	38.3%	12,209	32.5%	10,924	32.4%	10,974	36.3%	13,525	37.4%
Share of profit from Associate	25	0.0%	49	0.1%	-	-	-	-	-	-	-	-	-	-
Other Operating Income	1,090	1.5%	603	1.2%	915	2.0%	527	1.4%	703	2.1%	574	1.9%	624	1.7%
Profit Before Tax	17,193	22.9%	16,790	32.7%	18,511	40.3%	12,736	33.9%	11,627	34.4%	11,548	38.2%	14,149	39.1%
Taxation	(5,123)	-6.8%	(4,877)	-9.5%	(5,238)	-11.4%	(2,160)	-5.7%	(1,844)	-5.5%	(2,295)	-7.6%	(4,891)	-13.5%
Profit for the year	12,070	16.1%	11,914	23.2%	13,272	28.9%	10,576	28.1%	9,782	29.0%	9,254	30.1%	9,258	25.6%

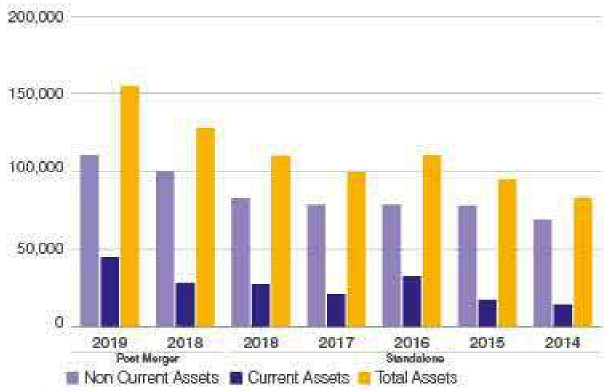
HORIZONTAL ANALYSIS

Statement of Profit or Loss

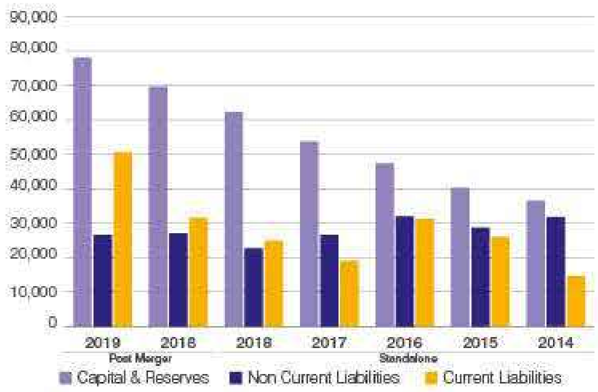
	Post Merger			Standalone								
	2019	2018	19' vs 18'	2018	18' vs 17'	2017	17' vs 16'	2016	16' vs 15'	2015	15' vs 14'	2014
PKR in Million	PKR	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR
Sales	74,964	51,310	46.1%	45,964	22.2%	37,612	11.4%	33,765	11.7%	30,226	-16.4%	36,169
Cost of Sales	(47,065)	(25,639)	83.6%	(19,483)	12.8%	(17,275)	9.5%	(15,780)	19.5%	(13,209)	-10.2%	(14,708)
Gross Profit	27,899	25,671	8.7%	26,481	30.2%	20,337	13.1%	17,985	5.7%	17,017	-20.7%	21,461
Distribution Cost	(3,800)	(3,685)	3.1%	(3,630)	4.2%	(3,482)	46.1%	(2,383)	33.7%	(1,782)	23.0%	(1,449)
Administrative Expenses	(2,779)	(2,317)	19.9%	(2,098)	36.8%	(1,534)	17.2%	(1,308)	28.1%	(1,021)	-24.1%	(1,346)
	21,320	19,669	8.4%	20,754	35.5%	15,321	7.2%	14,294	0.6%	14,214	-23.9%	18,666
Finance Cost	(3,761)	(1,823)	106.3%	(1,450)	-34.0%	(2,198)	-19.8%	(2,739)	15.1%	(2,379)	-36.8%	(3,767)
Other Operating Expenses	(1,480)	(1,708)	-13.3%	(1,708)	87.0%	(913)	44.8%	(631)	-26.7%	(861)	-37.4%	(1,374)
	16,079	16,138	-0.4%	17,595	44.1%	12,209	11.8%	10,924	-0.5%	10,974	-18.9%	13,525
Share of profit from Associate	25	49	-49.8%	-	-	-	-	-	-	-	-	-
Other Operating Income	1,090	603	80.7%	915	73.8%	527	-25.0%	703	22.3%	574	-8.0%	624
Profit Before Tax	17,193	16,790	2.4%	18,511	45.3%	12,736	9.5%	11,627	0.7%	11,548	-18.4%	14,149
Taxation	(5,123)	(4,877)	5.1%	(5,238)	142.5%	(2,160)	17.1%	(1,844)	-19.6%	(2,295)	-53.1%	(4,891)
Profit for the year	12,070	11,914	1.3%	13,272	25.5%	10,576	8.1%	9,782	5.7%	9,254	0.0%	9,258

GRAPHICAL PRESENTATION

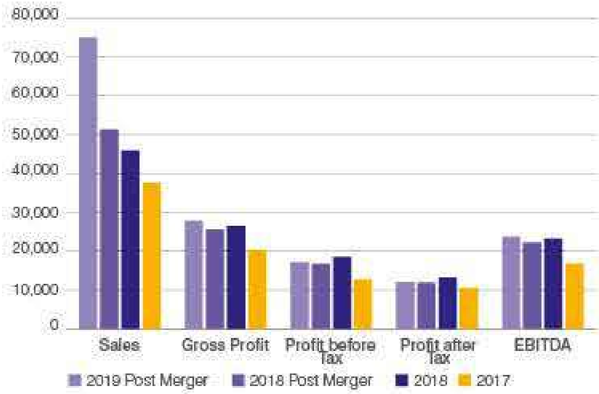
Balance Sheet Analysis (Assets)
Rupees in Million



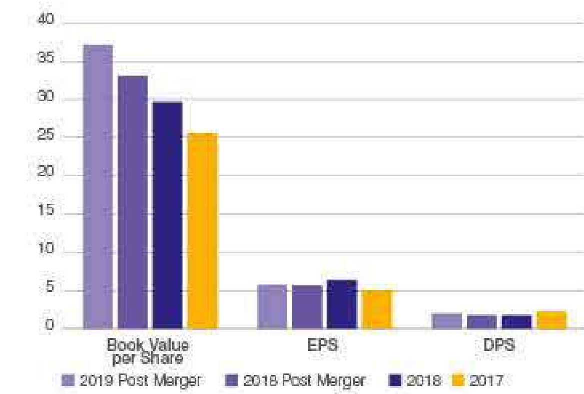
Balance Sheet Analysis (Equity & Liabilities)
Rupees in Million



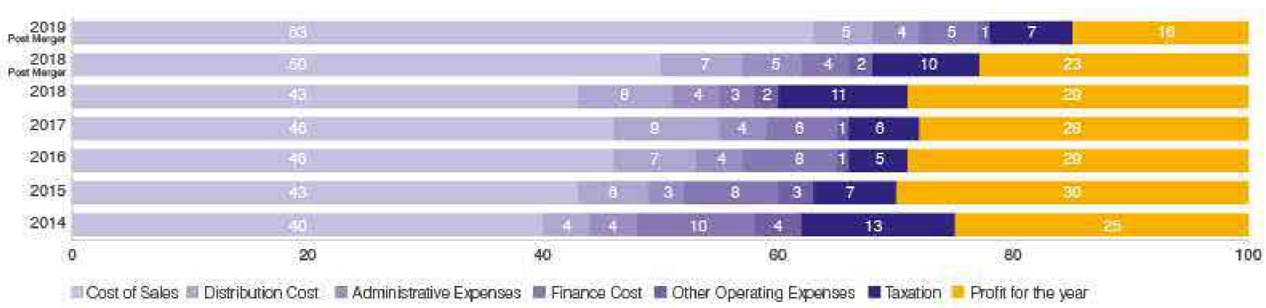
Sales & Margin
Rupees in Million



Book Value, Earnings & Dividend Per Share
Rupees



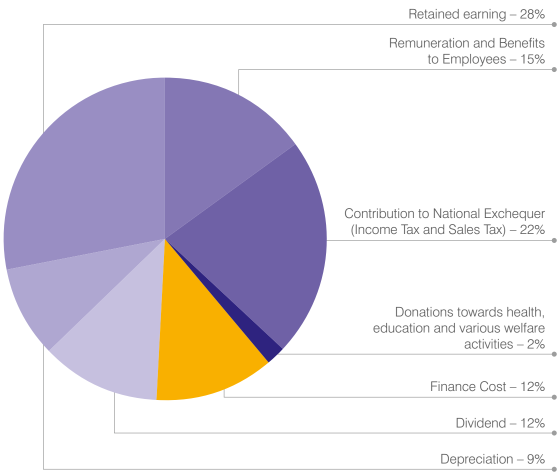
Profit and Loss Analysis
Percentage



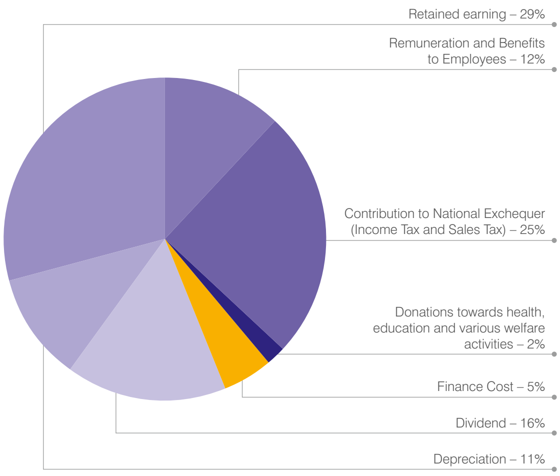
WEALTH CREATION AND DISTRIBUTION

	Post Merger				Standalone	
	2019		2018		2018	
Statement Of Value Addition & Its Distribution						
Wealth Generated	**PKR in Million**	**%**	**PKR in Million**	**%**	**PKR in Million**	**%**
Sales Including GST	76,591	249.7%	53,579	182.0%	48,092	162.0%
Other Income	1,114	3.6%	652	2.2%	915	3.1%
	77,705	253.4%	54,231	184.2%	49,008	165.2%
Materials & Services Bought In	47,036	153.4%	24,791	84.2%	19,335	65.2%
Value Addition	30,669	100.0%	29,440	100.0%	29,673	100.0%
Wealth Distributed	**PKR in Million**	**%**	**PKR in Million**	**%**	**PKR in Million**	**%**
Remuneration & Benefits to Employees	4,704	15.3%	4,198	14.3%	3,526	11.9%
Contribution to National Exchequer (Income Tax and Sales Tax)	6,750	22.0%	7,146	24.3%	7,367	24.8%
Donations towards health, education and various welfare activities	563	1.8%	770	2.6%	770	2.6%
Finance Cost	3,761	12.3%	1,823	6.2%	1,450	4.9%
Dividend on ordinary and preference shares	3,675	12.0%	4,725	16.0%	4,725	15.9%
Retained for future growth						
Depreciation	2,822	9.2%	3,591	12.2%	3,288	11.1%
Retained earning	8,394	27.4%	7,188	24.4%	8,547	28.8%
	30,669	100.0%	29,440	100.0%	29,673	100.0%

2019 Percentage



2018 Percentage



SWOT ANALYSIS

STRENGTHS

- Diversified Product Portfolio (Urea, NP & CAN / Value Added Products)
- Skilled and Experienced Technical, Engineering and Support teams
- Strategically Located Facilities
- High performing farmer technical support teams for unique farmer and customer services
- Reputation as a socially responsible Corporation

WEAKNESSES

- Relatively new brand facing long established competition
- Stakeholder Communication
- Logistic support still evolving

OPPORTUNITIES

- CPEC
- Business Diversification - International Markets
- High Tech Mechanized / precision agriculture–corporate farming
- Fintech and Crop Insurance
- Digitization of business processes

THREATS

- Uncertain Government Policy Outlook regarding the fertilizer sector
- Shortage of Gas
- Weak economic situation of farmers
- Corona Factor / COVID 19

Identification of Risks

Managing risk effectively has always been a touchstone of most successful companies. Like any commercial organization which operates in the market, Fatima is exposed to multiple risks; the most significant ones are identified in the following sections. The Company is fully aware of the uncertainties attached with these risks and thus has designed prudent strategies to mitigate them. In today's risk filled business environment, the Strategic, Commercial, Operational and Financial risks can arise from uncertainties not only from our business environment but also from key business decisions.

Strategic Risk: Strategic risks can emanate from internal or external events and scenarios that inhibit or prevent an organization from achieving its strategic objectives. Broadly strategic risks emerge from business strategy decisions. This form of risks can affect an entity's performance by giving rise to challenges that may consequently cause a particular business strategy to produce unexpected results.

Commercial Risk: Commercial risks are related to the commercial operations of the entity. These may arise from circumstances that affect the business and/or product viability of the entity, thus impairing the shareholders' value proposition.

Operational Risk: Operational risk is the risk that operations are inefficient and ineffective in executing the entity's business model, satisfying customers and achieving entity's quality, cost and time performance objectives.

Financial Risk: Financial risk is the risk that cash flows and other monetary risks are not managed cost-effectively to (a) maximize cash availability, (b) reduce uncertainty of currency, interest rate, credit and other risks, or (c) move cash funds quickly and without loss of value to wherever they are needed most.

Risk Mitigation Strategies

The Company's Risk Mitigation Strategy includes reduction of the likelihood that a risk event will occur and/or reduction of the impact of a risk event if it does occur. For this purpose, the Board, through its Audit Committee and Risk Committee, reviews the potential risks and the adequacy of internal controls and risk management procedures.

Also, Structured Policies and Procedures for each department, as 1st Line of Defense, exhibit an imperative component of the Company's risk governance framework and ensure the management of financial, operational and compliance risks. In addition, Senior management assesses these risks and places appropriate controls in order to mitigate and respond thereto through preventive, detective and corrective actions, where required.

Further, as 2nd line of defense, an Enterprise Risk Management (ERM) function is operating to oversee all the business risks and develop appropriate and effective mitigation strategies. In this regard, for efficient monitoring, a detailed Risk profiling matrix and complete adherence to Risk Management Dimension/Practices have been implemented at the Company, as per ERM framework and best practices.

Issues Raised in the Last AGM, Decisions Taken and their Implementation

Queries of the shareholders were properly addressed on the Company's published audited financial statements during the 16th Annual General Meeting held on April 30, 2019 and no significant issues were raised. One of the members suggested to circulate a summary of the resolutions passed in Urdu language as well along with minutes for convenience and better understanding of the members. The Company Secretary assured that the suggestion has been duly noted and will be implemented onwards.

With respect to an issue raised in previous Annual General Meeting regarding venue, the shareholders appreciated the management for selecting venue which is more convenient and approachable for the shareholders.

Review of Related Party Transactions

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. The Company has duly ensured compliance of this requirement and has obtained approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Policy and Procedure for Stakeholders' Engagement

Fatima believes in a collaborative long term relationship with its stakeholders at all levels. The Company treats its shareholders as its partners and ensures that all possible means of effective communication/engagement are adapted to bring them up-to-date with disclosures and other valuable information.

The following table elaborates how Fatima engages its stakeholders. These stakeholders have been identified based on, firstly, their influence on the Company, and secondly, their dependence on the Company.

Stakeholders	Why do we Engage	Nature of Engagement	Frequency	Value Added
Institutional Investors / Lenders	To further strengthen Fatima's image by maintaining a professional and transparent relationship	1. Investor Meetings 2. Financial reporting 3. Head Office / Plant visits 4. Circulation of Minutes 5. Circulation of Company Reports	1. As and when required 2. Periodic Basis 3. As and when required 4. Periodic Basis 5. Periodic Basis	Financing requirements are met for expansion projects
Customers	1. Enhance farmer knowledge base about technological advancements in Agri sector 2. Educate farmer about potential benefits of balanced fertilizer use	1. Farmer call center 2. Farmer education events 3. Demonstration plots 4. Corporate website 5. Effective reward system place for customers and distributors 6. Office meetings	1. Continuous 2. Occasionally 3. Continuous 4. Continuous 5. Occasionally 6. Occasionally	1. Valuable feedback helps in understanding what farmers want 2. Helps in bridging the gap between farmers and Company
Media	To benefit from the most effective means of communication with our customers and other stakeholders	1. Advertisements through print and electronic media campaigns 2. Announcements through Company website and social media	1. Continuous 2. Continuous	1. Helps in building Company's image, resulting in maximizing shareholders wealth 2. Engagement of all stakeholders
Employees		1. Sale and other events 2. Cultural activities 3. Trainings 4. Workshops	1. Annually 2. Occasionally 3. Annually 4. As and when required	Satisfied and engaged employees become valuable assets for the Company resulting in higher efficiency and productivity
Shareholders	1. Timely delivery of material and price sensitive information in a transparent manner 2. To address concerns and queries in a timely manner	1. Annual general meetings 2. Annual report 3. Quarterly reports 4. One-on-One meetings with investors 5. Investor relations section on website	1. Annually 2. Annually 3. Quarterly 4. As and when required 5. Continuous	1. Results in the stock price trading at intrinsic value 2. To encourage equity participation in expansion project
Regulators	1. Ensure full compliance with legal and regulatory requirements 2. To develop and sustain transparent means of communication with the regulator	1. Filing of statutory returns 2. Annual / Quarterly reports submission 3. Written communication with respect to queries 4. One-on-one meetings with representatives of regulators	1. Periodic basis 2. As and when required 3. As and when required 4. As and when required	1. Full compliance leads to positive projection of Company's image, in-turn maximizing shareholders' value 2. Responsible corporate citizen

Investor Relations Section on the Corporate Website

Comprehensive information and a dedicated investor relations section is available on our corporate website i.e. www.fatima-group.com/fatimafertilizer for its investors to facilitate existing and prospective investor queries and concerns with regards to information related to financial results and highlights, financial calendar, and share value. Moreover, the investor relations desk at Fatima ensures that the information under this section is updated on regular basis, by complying with the guidelines provided by SECP. Investors can also use the investor relations desk to contact the Company for any grievance using the email; investor.relations@fatima-group.com

Annual Report Accessibility

Annual and quarterly reports are available on the corporate website at (http://fatima-group.com/ffcl/)

Investor Grievance Policy

Fatima's core values stress on ethical business practices with transparency and accountability, devoted investor service and frugal productive policies since commencement. As one of the leading fertilizer company, we believe in establishing and preserving interests of our investors. Therefore, the Investors' Grievance Policy has been drafted with the sole purpose to protect the interests of the investors.

Process:

1. All investor grievances received are handled by an Investor Relations Officer at the Corporate Head Office. An email ID i.e. investor.relations@fatima-group.com has been created for this purpose and is also mentioned on the Company's website.
2. Investors can lodge their complaints by sending via soft copy on the said email ID and can also send their complaints/ grievances via hard copy addressed to Corporate Head Office.
3. All investor grievances that are received are incorporated in the Register of Grievance and are appropriately considered and action is initiated immediately.
4. The complainant is informed about the time that the compliance department will take to resolve within a span of 5-7 working days from the date of receipt of grievance/ complaints, as the case may be.
5. The Investor Relation's Officer ensures that all complaints/ grievances and recorded in the Register of Grievance and resolved within the stipulated time period and its record is kept for future reference.

Annual Evaluation of Board's Performance

Fatima constantly finds ways to make its directors become more strategic, make better decisions and be seen to be undertaking best practice governance. The primary purpose of this exercise is for our board members to want to be even better at what they do. Board performance is assessed by the Pakistan Institute of Corporate Governance (PICG) annually. The annual evaluation encompasses the following broad areas:

- Board Composition
- Board Committees
- Board Procedures
- Board Interaction
- Strategic Planning
- Board and CEO Effectiveness
- Board Information
- Board and CEO Compensation

The Board assesses the effectiveness of its own collective working and that of its individual members. Board evaluations are based around directors rating the board as collective. This represents a true picture as rating is done on a series of questions related to their responsibilities and functions as a Board. As part of this exercise, Capabilities and Constraints are identified and the next part involves the Board members meeting and discussing the findings of the data gathered and analysis to reach an agreement on governance challenges facing the Board and the development of appropriate action plans designed to address the problems. The results are then compiled and analyzed, and the report is delivered to the Chairman. The results also serve as a benchmark for Fatima for the next time a board evaluation is held. It helps the Company to gauge whether improvements which were suggested in the last report were taken forward and changes were implemented or not.

Role and Responsibilities of the Chairman and Chief Executive

The role of the Chairman and the Chief Executive are segregated and they have distinct responsibilities.

The Chairman of the Board has responsibilities and powers vested in him by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Board and presides over the meetings of the Board of Directors and shareholders. The Chairman also controls all meetings procedures and processes, guiding discussion and decision making along with enhancing relations with members and staff. The Chairman's role and responsibilities are briefly described as under:

I. Leadership and control of Board of Directors;
II. Ensuring that the Board as a whole plays an effective role in the determination of the Company strategy and overall business objectives;
III. Guardian of the Board's decision making process;
IV. Promoting highest level of morale, integrity, excellence, corporate governance and ethics to assure investors that the money invested by them is put to appropriate and profitable use;
V. Approval of Company policies;
VI. Approves risk mitigation plan; and
VII. Leads and motivates CEO and Management Team.

The Chief Executive Officer (CEO) is responsible for all day-to-day management decisions and ensures that effective internal controls and management information systems are in place. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public. The primary role and responsibilities of the CEO are given as under:

I. Effective running of the Company affairs;
II. Development of Company's strategy and business objectives;
III. Conducting the affairs of the Company with the highest standards of integrity and Corporate Governance;
IV. Policy formulation;
V. Risk assessment and risk management; and
VI. Sound financial management

Conflicts of Interests Relating to Members of the Board and How Such Conflicts are Managed

Fatima's Board of Directors is held to the highest level of conflict of interest standards, as members have ultimate responsibility for all activities of the Company and have the highest public visibility as representatives. Conflict of Interest Policy for its Board of Directors provides general guidelines on avoiding conflicts of interest with the Company. The Board has adopted the following policies and procedures with respect to any potential or actual conflict of interest involving directors:

Policy: A director owes certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality to Fatima, which requires a director to act in good faith on behalf of Fatima and to exercise the powers conferred upon his / her by its shareholder's interest and not for him / her own or others' interest.

Disclosure: A director shall promptly disclose to the Board any personal or outside interest, relationship or responsibility (financial, professional or otherwise) held by the director with respect to any potential or actual transaction, agreement or other matter which is or may be presented to the Board for consideration, even if such interest, relationship or responsibility has otherwise generally been disclosed to Fatima or the Board.

Board Action: For any potential conflict, the Board, with the abstention of the interested director, may decide whether such director may participate in any reporting, discussion or vote on the issue that gave rise to the potential conflict.

Whistle Blowing Policy

Fatima encourages its associates to raise a matter at any appropriate time. To give guidance on how to raise concerns, a "Whistle-Blowing Policy and Procedure" is in place which is primarily for concerns where, due to malpractice, fraud, abuse or other inappropriate acts / omissions, the interest of Fatima or its associates is at risk. The objective of having this policy is to ensure that employees highlight and share any suspicious or illegal act being carried out to harm the Company immediately or in the long run so that damages caused to the Company, if any, are minimized. The scope of the Whistle-Blowing Policy covers the concerns for behavior / practice conflicting with the principles set out in Fatima's Code of Conduct.

Formal Orientation at the induction of New Directors and Director's Training Program from Institutes approved from SECP

The Company is fully aware of the requirement of the Code of Corporate Governance. Directors having the requisite experience and qualifications are exempt from the Directors' Training Program. Furthermore, appropriate arrangements are made by Fatima for detailed orientation of new Directors to familiarize them with their duties and responsibilities. A formal acclimatization program primarily includes amongst other things giving briefings relating to the Company's visions and strategies, the Company's core competencies, organizational structure, role and responsibility of the director as per the Companies' Act, including the Code of Corporate Governance and any other regulatory laws applicable in Pakistan.

Share Price Sensitivity Analysis

Share price of the Company can be influenced by variable internal and external factors, some of which are discussed in the table below:

Factor	Change	Impact on Share Price
Sales Volume	Increase	Would lead to economies of scales resulting in higher profitability leaving a positive impact on the share price through higher EPS
Cost of Raw Material	Increase	Would negatively affect the profitability which in turn would have a negative impact of the share price
Discount Rate	Increase	Finance cost of the Company would increase, impacting the shareholder value negatively. Thus lower EPS would negatively affect share price.
Government Policies	Increase in political stability	Would lead to consistent policies resulting in higher confidence of buyers and investors. Share price may move upwards in times of political stability.

Training

Overall Training Man-Hours	2019	2018
Soft Skills (Manufacturing + Non-Manufacturing)	18,313	28,082
Functional Trainings (Manufacturing)	87,802	42,000
Functional Trainings (Non-Manufacturing)	414	544
Total Hours	106,529	70,626

Information Technology

Information Technology Division (ITD) continues to be a key component in Fatima Fertilizer. It has established structure to provide support and facilitate projects to meet the business needs. ITD has enabled organization to make better and faster decisions to improve overall efficiency of business processes by implementing tools designed for a more collaborative organization and reshaping the applications to enhance mobility options for both our internal and external stakeholders, where appropriate. Our enterprise architecture ensures a strategic approach to meet business needs in a timely and cost effective manner.
Information Technology (IT) Governance is an integral part to our business. IT Governance aims to ensure that IT activities are aligned with business objectives and that stakeholders' requirements of value delivery, risk and resource Optimization are addressed. IT Governance framework also aims to achieve the following objectives:

- Support the decision-making process by providing sufficient information and reports
- Achieve effective and prudent IT project management and IT resources management processes
- Support enterprise business strategies by developing technological infrastructure and information systems
- Ensure the necessary protection of assets through optimization of IT risk management
- Comply with legal and regulatory requirements, internal controls and monitoring, and related policies and procedures
- Maximize the satisfaction level of end user with respect to IT services
- Employ a comprehensive sourcing strategy to manage third parties/vendors relationships

Our Information Security is the foundation to our business. An ISO 27001:2013 compliant ISMS (Information Security Management System) is maintained by ITD. The Management actively supports Information Security within the company; as a result, ISMS certification status is maintained for 5th consecutive year now. It acknowledges and promotes the overreaching importance of the confidentiality, integrity and availability of Company's information assets. It protects IT assets from internal and external attacks and establishes standards, policies, procedures, and guidelines necessary to ensure that a secure IT environment.

Project Close out (Post Mortem) session is conducted every year to review key lessons learned from the projects with the aspect of improvements in future projects. IT division has spent 2000 man-hours on developing organizational resources on different technological advancement trainings during the year. This includes governance, security, applications and infrastructure trainings.

IT Division has delivered several projects during the year. These projects are aligned with the technological road map and business needs of company. Some of the key projects are:

Operator Rounds Automation

IT team at Fatima Fertilizers always strive to take up challenges up front, in continuation to that the team took up a 1st of its kind project to automate the existing Operator Round trips. The purpose was to achieve improved plant availability, safeguard critical assets and speedup the process of operational and maintenance activities. Key benefits include; transformation from paper to handheld devices for operator rounds, reduced time between observation and correction of maintenance issues, reduced human errors during data collection, ensured data completeness and the asset-centric approach allowed data collected by any operator to be aggregated together for a common asset history.

Sarsabz Reward Program

Sarsabz Reward Program was built on CRM solution of Oracle cloud. This solution provided marketing team seamless integration of sales data with CRM, calculation and redemption of loyalty points, elimination of manual work, fast and efficient processes while reducing human error.

Learning - Succession & Talent Management Implementation

Learning Management and succession planning is one of the key pillars when it comes to Growth of employees and organization. ITD facilitated HR in implementation of state of the art Learning – Succession and Talent management solution. The solution enabled business users to align with global standards and practices by using competency management, learning paths, online learning, unified catalog, re-use existing content, controlling learner enrollments, assessing results of learning, training resource management, talent profiles, analytics etc.

Transportation Management

Gartner's top rated solution for transport planning and execution is implemented on Oracle cloud. Benefits include transportation order management, availability of single repository related to freight slab, process to plan and execute shipment through the system for maximum operational efficiency, collaboration with transporters for acceptance and tracking of shipment at various stages of the execution process. The solution saved enormous time of processing in transporters billing, data entry and overall working hours.

Web Based Mobile Sales App

Existing SMS based sales app in converted to web based sales app this year. This has contributed towards system generated documents, delivery notes, invoices and enabled paperless audits for warehouse.

Infrastructure Enhancements

I. Disaster Recovery Drill was successfully executed to fulfil the compliance of information security objective and to check the functionality of DR Site.

II. Private Cloud Infrastructure Update Activity: Private cloud infrastructure was updated to latest version.

III. Hyper Converged Storage: To meet the ongoing expansion requirements of Fatima Fertilizers, IT division has added Hyper Converged Storage to the infrastructure. This will not only enhance the storage capacity but also eliminate the dependency on hardware vendors

IV. Enterprise Backup: To enhance the reliability and efficiency of backup/recovery, the IT team selected market leader solution and shifted their existing backup solution to CommVault to ensure smooth backups and recovery.

V. VMWARE VRealize Operation Manager: ITD is always committed to invest in the right tools and technologies and aligned with the organization strategy to be the best when it comes to IT infrastructure enhancement and high performance. The solution was implemented to monitor the resources necessary to keep critical application running at peak performance allowing the team to predict potential performance issues proactively and take actions timely.

VI. Network Enhancement:, Network devices were configured with new Radius server (ClearPass) for authentication. This provides increased security posture of network infrastructure. This also shows commitment of the company towards information security and secured infrastructure from internal and external threats.

NOTICE OF THE 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held electronically through tele/video conferencing on Monday, June 29, 2020 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on April 30, 2019 and Extraordinary General Meeting held on August 23, 2019.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2019 together with the Directors' and Auditors' Reports thereon and the Chairman's review report.

3. To consider and approve final cash dividend for the year ended December 31, 2019 at PKR 2 per share i.e., 20 % as recommended by the Board of Directors.

4. To elect Directors of the Company for a term of three years commencing from June 30, 2020 in terms of section 159 of Companies Act, 2017.

a. Pursuant to section 159(1) and (2)(a) of the Companies Act, 2017, the number of Directors to be elected has been fixed at 7 (Seven) by the Board of Directors.

b. Pursuant to Section 159(2)(b) of the Companies Act, 2017, the names of the retiring Directors are:

1. Mr. Arif Habib
2. Mr. Fawad Ahmed Mukhtar
3. Mr. Fazal Ahmed Sheikh
4. Mr. Faisal Ahmed Mukhtar
5. Mr. Muhammad Kashif Habib
6. Ms. Anja Elisabeth Nielsen
7. Mr. M. Abad Khan

5. To appoint Auditors for the year ending December 31, 2020 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s Deloitte Yousuf Adil Chartered Accountants as external auditors.

Special Business

6. To consider and approve renewal of running finance facility limit extended to associated company namely Reliance Commodities (Pvt) Limited for further period 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 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of Running Finance Facility limit of up-to an aggregate amount of PKR 1,250 million extended to Reliance Commodities (Pvt) Limited for further 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 Chief Executive Officer, Chief Financial Officer and/or Company Secretary 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."

7. To consider and approve renewal of running finance facility limit extended to associated company namely Pakarab Fertilizers Limited for further period 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 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of Running Finance Facility limit of up-to an aggregate amount of PKR 2,000 million extended to Pakarab Fertilizers Limited for further 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 Chief Executive Officer, Chief Financial Officer and/or Company Secretary 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."

8. To ratify and approve the transactions carried out by the Company with related parties as disclosed in Financial Statements for the year ended December 31, 2019 and to pass the following Special Resolution(s) with or without modification(s):

“Resolved, that related party transactions carried out by the Company with Pakarab Fertilizers Limited, Reliance Commodities (Pvt) Limited and Fatima Packaging Limited during the year ended December 31, 2019 be and are hereby ratified and approved.”

9. To approve transactions with related parties and to authorize the Board of Directors of the Company to carry out such related party transactions from time to time, irrespective of the composition of the Board of Directors and to pass the following Special Resolution(s) with or without modification(s):

   “Resolved, that the Company may carry out transactions including but not limited to sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/ raw material and purchase of packaging material, with related parties from time to time including but not limited to Pakarab Fertilizers Limited, Reliance Commodities (Pvt) Limited, Fatima Packaging Limited and other such related parties during the year ending December 31, 2020.

   Resolved further, that details of transactions incurred up to date of the next meeting of shareholders shall be presented in the next meeting of shareholders for ratification.

   Resolved further, that within the parameters approved above by the shareholders of the Company, the Board of Directors of the Company may approve specific related party transactions from time to time, irrespective of composition of the Board and in compliance with the Company’s policy pertaining to related party transactions and notwithstanding any interest of the directors of the Company in any related party transaction which has been noted by the shareholders.”

10. To consider and approve amending Article 71 of Articles of Association of the Company for share qualification of directors and to pass the following Special Resolution(s) with or without modification(s):

    “Resolved, that subject to obtaining the requisite approvals and consequent modifications therein, Article 71 of Articles of Association of the Company be substituted as follows:

    ‘The qualification of a Director shall be the holding of shares of the Company to the nominal value of Rs.10/- at least in his own name, and this qualification shall be acquired prior to contesting elections/appointment’.

    Resolved further, that the Chief Executive and the Company Secretary be and are hereby singly authorized to take and do and / or cause to be taken or done any / all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds, and things which are necessary, incidental and / or consequential for making amendments in Articles of Association of Fatima Fertilizer Company Limited.”

11. To consider and approve/ratify issuance of corporate guarantees on behalf of associated company namely Pakarab Fertilizers Limited and to pass the following Special Resolution(s) with or without modification(s):

    “Resolved, that the consent and approval/ratification be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for extending Facility limit in the nature of Corporate Guarantee(s) of up-to an aggregate amount of PKR 2,000 million to Pakarab Fertilizers Limited for a period of one year to be issued by Fatima Fertilizer Company Limited in favor of any bank / financial institution / company etc. in connection with financing or other facilities availed / to be availed by Pakarab Fertilizers Limited. The limit in the nature of Corporate Guarantee(s) Facility shall be renewable in next general meeting(s) for further period(s) of one year.

    Resolved further, that the Chief Executive Officer, Chief Financial Officer and/or Company Secretary 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

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

    A statement under Section 166(3) of the Companies Act, 2017 and the statements under Section 134(3) of the Companies Act, 2017 setting out the material facts are annexed herewith.

By order of the Board

Lahore
June 8, 2020

Omair Ahmed Mohsin
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from June 23, 2020 to June 29, 2020 (both days inclusive). Transfers received in order at the office of our Share Registrar/Transfer Agent CDC Share Registrar Services Limited by the close of business on June 22, 2020 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.

   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. CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

4. **Venue of Annual General Meeting and Participation of Shareholders through Electronic means**

   In view of the prevailing situation due to pandemic COVID-19 and in line with the direction issued to listed companies by Securities and Exchange Commission of Pakistan, vide its Circular No.5 of 2020 dated 17 March 2020, the Company has decided to hold its AGM through electronic means. The arrangements for the 17th AGM will be as under:

a) AGM will be held through Zoom application – a video link facility.

b) Shareholders interested in attending the AGM through Zoom will be requested to get themselves registered with the Company Secretary office at least two working days before the AGM at anil.zia@fatima-group.com by providing the following details:

Name of Shareholder	CNIC No.	Folio / CDS No.	Cell No.	Email address	Principal/Joint Shareholder

   Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

c) Shareholders may send their comments and suggestions relating to the agenda items of the AGM to the Company Secretary office at least two working days before the AGM, at above given email address, WhatsApp or SMS on 0333-4034503. Shareholders are required to mention their full name, CNIC No and Folio No. for this purpose.

d) Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

5. **Withholding Tax on Dividends**

   Prevailing rates prescribed for deduction of withholding tax on the amount of dividend paid by the companies are as under:

(a) For filers of income tax returns: 15%
(b) For non-filers of income tax returns: 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax-payers 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 otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Withholding tax exemption from the dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to Company's Share Registrar by Close of Business day as on June 22, 2020.

The shareholders who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date.

Folio/CDC Account No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder

For any further assistance, the members may contact the Share Registrar at the following phone numbers, email addresses:

CDC Share Registrar Services Limited, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400. Telephone: 0800-23275, Email: info@cdcsrsl.com

The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) 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. CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

6. Payment of Cash Dividend through Electronic Mode

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Credit Mandate Form provided in the Annual Report and also available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company CDC Share Registrar Services Limited , CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400 in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/ CDC account services.

7. Consent for Video Conference Facility

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given herein above at least seven (07) days prior to the date of the meeting as per the following format.

I/We, ______________ of _______________ being a member of Fatima Fertilizer Company Limited holder of ______________ Ordinary share(s) as per Registered Folio No. ___________ hereby opt for video conference facility at _______________.

Signature of member

8. Contesting Election of Directors

Any person (including a retiring Director) who seeks to contest election of directors shall file with the Company at its registered office, E-110, Khayaban e Jinnah, Lahore Cantt., not later than 14 days before the said meeting his / her intention to offer himself / herself for the election of the directors in terms of Section 159(3) of the Companies Act, 2017 together with:

i) Notice of his / her intention to stand for election, along with duly completed and signed Form 28 giving his / her consent to act as Director of the Company if elected (under Section 167(1) of the Companies Act, 2017), and certify that he is not ineligible to become a Director under any applicable laws, Rules and Regulations.

ii) Detailed profile along with office address to be placed on the Company's website seven days prior to the date of election in term of SECP's SRO 1196(1)/2019 of 3rd October 2019.

iii) Declaration in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in the Companies Act, 2017 to act as the director of a listed company.

iv) Attested copy of valid CNIC/Passport and NTN.

v) Declaration by Independent Director(s) under Clause 6(3) of the Listed Companies (Code of Corporate Governance) Regulation 2019.

vi) Undertaking on non-judicial stamp paper that he / she meets the requirements of sub-regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

9. E-Voting / Voting by Postal Ballot

If the number of persons who offer themselves to be elected is more than the number of directors fixed under sub-section (1) of section 159 of the Companies Act, 2017, then the Company shall provide its members with options of e-voting or voting by postal ballot in accordance with the provisions of the Companies (Postal Ballot) Regulations, 2018.

Shareholders who wish to participate through e-voting, kindly provide immediately through a letter duly signed by them, i.e. Name, Folio/ CDC Account No., E-mail address, contact number to the share registrar of the company (CDC Share Registrar Services Limited, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal Karachi74400).

10. Dissemination of Annual Audited Accounts and Notice of Annual General Meeting

The Company shall place the financial statements and reports on the Company's website: http://fatima-group.com/ffcl/page.php/financial-results-ffcl at least twenty one (21) days prior to the date of the Annual General Meeting.

Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31 May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/ DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in its Extraordinary General Meeting held on December 23, 2016. Accordingly, Annual Report of the Company for the year ended December 31, 2019 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Accounts, the same shall be provided free of cost within seven days of receipt of such request. Further, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same at your valid email ID.

For convenience of shareholders, a Standard Request Form for provision of Annual Accounts has also been made available on the Company's website http://fatima-group.com/updata/others/standard_request_form_ffcl.pdf.

OPERATIONAL PERFORMANCE

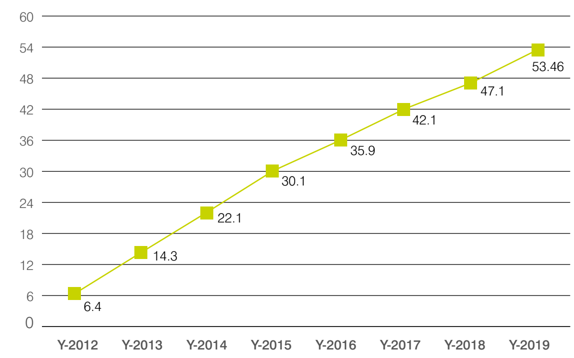
1 Health Safety & Environment (HSE)

In 2019, Fatima continued to build on its immaculate safety record. Fatima became first Fertilizer Company of Pakistan to successfully surpass 50 safe million man-hours (SMMH) in April 2019. FFL's SMMH accumulated to 53.46 by December 31st, 2019. In terms of injuries, 2019 remained a golden period, where year closed without any Lost Time Incident and Zero Total Recordable Incident Rate (TRIR). Both safety Key Performance Indicators (KPI's) i.e. SMMH & TRIR remained world-class. These are true reflection of efforts towards HSE culture improvement.

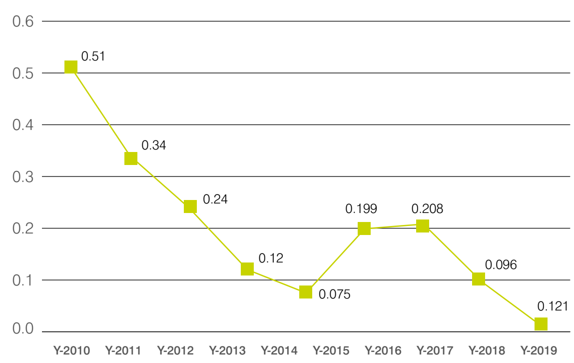
The Company collaborated with District Disaster Management Authority (DDMA), on self-initiative, to conduct a LARGE SCALE INDUSTRIAL MOCK EXERCISE on November 5th, 2019 at neighboring community (Jindu Ki Mari). Over 1500 individuals participated in this exercise including 300 local residents from nearby communities, workers from the Company and representatives from 18 Government departments including 1122, Police, Health, Education & Civil Defense. To improve Un-safe acts/condition reporting, HSE launched a new campaign under title "Name To Fame". Through this platform, individuals and departments with highest reported Un-Safe Acts/Conditions were recognized at site level. In continuation of the Company's Tree Plantation Drive, Sadiqabad plant site revived Tree Plantation drive for Monsoon 2019. FFL achieved its target of 10,000 trees in 2019. Considering significant number of road accident deaths, a subject matter expert was engaged to conduct training on "Defensive Driving". Total of 13 training sessions were conducted utilizing 1800 man-hours.

The Company was awarded Distinction in British Safety Council's International & Safety Award Gold RoSPA Award (UK) 2019. The Company was also awarded 16th annual Environment Excellence Award, 2019. Plant team participated in 64th Annual American Institute of Chemical Engineers (AIChE) Conference in San Francisco, USA and presented paper on "Rationalizing Safety Critical System". Plant team also participated in 6th Health, Safety and environment conference in December, 2019 and presented paper on "Improving Safety Performance through Safety Indicators"

Safe Million Man Hours



TRIR



2 Operational Performance

The Company's actual annual production at Sadiqabad plant was short from budgeted annual production by 11% (1.21 Million MT actual vs 1.36 Million MT budget) due to unplanned outages at Ammonia & Nitric Acid plants.

Plant rates ramped up to ~1,464 MTPD (22% revamp) via NP Revamp Phase – I & II. Both projects wer successfully completed as per schedules.

3 Projects

Low Pressure Booster Compressors at Mari Site

All 3 units successfully installed , commissioned and taken in Operation. Few design and warranty issues identified during initial testing / operation but are not immediate threat. Matter taken up with Original Equipment Manufacturer (Cooper-USA). Final milestone payment will be released after troubleshooting of warranty issues and successful Site Acceptance Test (SAT).

NP Revamp – Phosphoric Acid Storage Facility

Mechanical execution is in-progress, while major milestone of Phosphoric Acid Tank construction and Pumps installation is completed. Associated piping installation is 80% complete and rubber lining under supervision of Foreign VSM is in-progress. Expected commissioning is in March 2020.

4 Company Imaging Building

In 2019, the Company participated in four International and one domestic conferences and presented papers comprising of in-house research and experience related to plant operation, safety, reliability and technological advancements.

Sr.	Event-2019	Event Date	Location
1	AIChE Ammonia Symposium	Sep 2019	USA
2	SYMPHOS '19	Oct 2019	Morocco
3	ANNA '19	Oct 2019	Austria
4	LEARN '19 Topsoe Academy	Sep 2019	Denmark
5	International Environment Exhibition and Seminar	Sep 2019	Lahore, Pakistan

5 Learning & Development

The Company's Learning & Development Center conducted gap analysis of management system development of ISO-17024 (International Skill Certification System). Launched trainings as per ISO-29993 standard with a total of 33 international level courses added.

The Company's Learning & Development Center has conducted L&D system audit for the stakeholders to standardize the systems across the group in line with the international standard.

Year	Trainings (Man-hours)	HSE (Hrs)	Technical (Hrs)	Soft (Hrs)
2019	87,802	47,505	37,567	2,730

MARKETING AND SALES

International Market Overview

Phosphates

2019 was a challenging year for phosphates due to oversupply from Morocco and Saudi Arabia. Chinese producers domestic DAP/MAP plants down due to the government's environmental pollution crackdown. As a result China exported 6.47 million tonnes of DAP in 2019, down 13% from the previous year.

In India, phosacid quarterly settlements kept dropping every quarter, but still making it cheaper to import DAP rather than produce it domestically. In 2019, India imported 5.75 million tonnes of DAP, down 8% year on year, as stocks remained high in the country. The government also decreased the nutrient based subsidy for phosphates in 2019. OCP also temporarily cut phosphates production from mid-December until end-February.

In the Americas, Mosaic cut phosphates production in December 2019, but has since returned to full production. Nola barge prices have dropped during the year as adverse weather has pushed fertilizer application back and demand remained muted.

In Brazil, MAP prices also dropped during 2019 as demand was weak and the real exchange rate was down compared to the US dollar.

Urea

Global urea prices declined 15-20% in 2019 as Chinese supply exceeded expectations. US sanctions on Iran also led to a change in trade flows with Iranian material flooding markets which were expecting these tonnage from Brazil and Turkey.

The US also skipped application seasons because of bad weather. This impacted sentiment in the global market.

A surge in demand in India because of record rains supported prices. In India, urea imports doubled to 11.2 million tonnes in 2019 compared with 5.5 million tonnes in the same period last year, according to the ICIS demand supply database.

In the fiscal year April 2019-December 2019, urea imports to India were 8.9m tonnes, double the 4.4 million tonnes imported in April-December 2018.

China's exports of urea more than doubled to 4.94 million tonnes in 2019, up from the 2.45 million tonnes it exported in 2018, according to the ICIS Supply and Demand Database.

China exported more urea following higher production levels after environmental clampdowns in 2018 and as domestic demand was limited.

India continues to be the main destination for Chinese urea. Last year, it bought 2.4 million tonnes or 48% of the total produced by China. In 2018, India imported just 660,315 tonnes.

The proportion of Iranian urea which has been re-exported from China, remains unclear. Rough estimates are at around 400,000 tonnes.

Market Overview Local

Year 2019 closed with a total (Nitrogen + Phosphate) fertilizer industry off-take of 9,270 KT, increasing by almost 2% in comparison to last year's figure of 9,099 KT.

This increase was driven by the record-breaking sales of Urea, which stood at 6,228 KT against 5,807 KT in 2018, an increase of 7%. This increase was especially notable since average Urea prices were almost 20% higher this year when compared with last year. Major reason for this increase was two-fold, firstly, dealers stocked-up in December amidst persistent rumors of price increase and secondly, farmers also applied Urea extensively in the last two months as commodity prices were on the up. Also, the increase can be attributed to increased imported Urea sales of 178 KT. DAP industry however suffered a dip of 9%, primarily due to fluctuating prices, going from 2,238 KT in 2018 to 2,031 KT in 2019.

For the Company specifically, Urea sales improved from 662 KT to 778 KT primarily due to around the year operations of Sheikhupura plant. CAN off-take stood at 471 KT in comparison to 499 KT last year. This decrease was primarily due to a lack of availability, even though there was strong demand for the product throughout the year. NP demonstrated a substantial increase by capitalizing on the struggling DAP market and better warehousing, increasing 27% from 377 KT in 2018 to 477 KT in 2019.

Total Company's sales for 2019 stood at 1,834 KT increasing almost 17% from 2018's total of 1,566 KT:

Company's Off-take (2019 vs 2018)

Product	2019 (MT)	2018 (MT)
Urea	777,526	662,034
NP	477,992	377,726
CAN	471,828	499,608
DAP	106,702	26,371
Total	**1,834,048**	**1,565,739**

Year 2020 – Giving tribute to Farmers!

Keeping up its tradition of being the industry first in ground breaking marketing, Sarsabz Fertilizer this year managed to officially coin, December 18th as Pakistan's National Farmer Day.

The campaign started from our plant in Multan, where we hosted students from all over Pakistan to come and paint our plant's wall with the theme of "Salam Kissan, Sarsabz Pakistan". Colorful artworks depicting the hard work, sacrifices and struggles of our farmers won the hearts of millions, as all leading news channels covered the event and students took to social media to share their tributes. As the campaign unfurled, message of "Salam Kissan, Sarsabz Pakistan" reached all major agricultural towns of Pakistan with Sarsabz Fertilizer team holding get-togethers of farmers with their families, giving them a tribute and highlighting the importance of their work. The zenith of the campaign was on December 18th, when a high profile corporate dinner was hosted by Fatima Fertilizer inviting all key stakeholders from the agriculture sector including policy makers, researchers and progressive farmers. Prime Minister Imran Khan, along with other leading state ministers and dignitaries recognized the day and paid glowing tributes to the farmers of Pakistan. The Marketing team managed to engage all mediums of communication by creating a tribute video song titled, "Salam Kissan". The song went viral on the digital medium reaching one million plus views in a matter of hours. The team is confident that this historic campaign is bound to win glory for the Sarsabz brand in the years to come.

On the direct engagement front, it was anything but usual business for the Marketing team as the year kick started with Sarsabz hosting Pakistan's once premier wrestling event, "Rustam-e-Pakistan" after a gap of ten years. The event took place in Bhawalpur where our sons of soil wrestled for a much coveted title in front of a highly charged audience of over 5,000 people. The Marketing team continued its stride on the sports ground by organizing Sarsabz National Tent Pegging Championship in Lahore. The event was graced by leading farmers and land owners of Pakistan who relived the memories of their forefathers fighting for their land in cavalries of the Moghul and British Empires. The event was so well organized that attendees compared it the now defunct Horse & Cattle show! Sarsabz has been winning hearts of farmers by sponsoring traditional sports for almost two years now and is recognized as the best organizer and marketer for sports like Kabaddi, Tent Pegging and Wrestling in Pakistan.

The Marketing team which has been nurturing the youngest brand in the industry has relied on the most innovative and research backed strategies for positioning Sarsabz as the most loved brand of progressive farmers in Pakistan.

Channel Development

The marketing function has always recognized the importance of our dealers in building our brand and therefore, a structural change was made to bring the channel department to work closely with the brands team. The strategy worked as the Channel department managed to launch a unique dealer loyalty program that is at par with leading multinationals globally. Titled, Sarsabz Royals, the program living up to its name is the epitome of luxury for dealers who choose to invest and grow with us. What remains its hallmark is its guaranteed incentive to all our dealers irrespective of size, location or product they choose to sell. The launch of the Sarsabz Royal program was in hand with our engagement strategy of holding dealer plant visits to encourage ownership of the brand amongst our dealers. They first hand got to see the IFA certified plants and strict quality controls we have in place to ensure they sell only the best fertilizer in the market.

Our shareholders will be happy to know that together with our dedicated teams engaging and communicating with our farmers and dealers 365 days of the year, Sarsabz is the fasted growing premium fertilizer brand in Pakistan.

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 endeavour 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 focus 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; and

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	2019	2018
Economic			
Total Fertilizer Sales	EC1	1,834 (MT in 000)	1,566 (MT in 000)
Net Profit	EC1	12,070 (PKR in Million)	11,913 (PKR in Million)
Revenue	EC1	74,964 (PKR in Million)	51,510 (PKR in Million)
Contribution to national exchequer		6,750 (PKR in Million)	7,146 (PKR in Million)
Rural development and responsible sourcing			
Farms addressed for capacity building (numbers)		23,651	22,818
Water			
Total water withdrawal (m^3)	EN8	16,764,221	13,078,510
Environmental sustainability			
Materials			
Raw Material used (natural gas) (Metric Tons)	EN1	1,078,134	934,380
Materials for packaging purposes (Metric Tons)	EN1	4,706	4,350

Key performance indicator	GRI	2019	2018
Energy			
Total direct energy consumption (gigajoules)	EN3	37,109,917	33,252,009
Total direct energy consumption from renewable sources (% total direct)	EN3	N/A	N/A
Energy saved due to conservation and efficiency improvement	EN5	-	-
Biodiversity			
Total size of manufacturing sites located in projected areas (hectares) working under clean development mechanism	EC1	1,308 acres	1,169 acres
Trees Planted		10,504	10,000
Emissions, Effluents and Waste			
Direct GHG emissions (Metric Tons CO2eq), (i.e. Surplus CO2 from Ammonia Plant + CO2 emissions from other sources)	EN16	374,466 + 1,067,485	399,948 + 909,084
Indirect GHG emissions (Million Tons CO2eq)	EN16	N/A	N/A
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	1,013	1,025
Lost-time injuries and illnesses rate (per Million hours worked) (employees, on-site contractors and on-site members of public)	LA7	Nil	Nil
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	106,529	70,626
Female staff at the head office	LA13	48	67

HEALTH, SAFETY AND ENVIRONMENT

Fatima Fertilizer aims towards implementing the globally recognized standards while benchmarking with industrial best practices. We take pride in mentioning that the Company remained compliant to the following standards in 2019:

- DuPont Process Safety Management Excellence Level-4
- HACCP Food Safety Certification
- ISO/IEC 17025 Accreditation for Laboratory Management System
- IFA Protect and Sustain Stewardship
- Quality Management System (QMS) ISO 9001:2008
- Environmental Management System (EMS) ISO 14001:2004
- Occupational Health and Safety Management Systems OHSAS 18001:2007
- WWF Green Office Program

The Company has plans to move a step ahead towards world leading Environmental Management System and the external assessment by DuPont is planned in 2020.

Quality, Health, Safety and Environment (QHSE) Policy

Fatima considers health, safety and environment of its employees, stakeholders, contractors and the community equal to its production targets. The long term business success of the organization depends on the ability to continually improve the quality of the products while protecting people and the environment. Fatima group emphasizes on ensuring quality enhancement, occupational health, operational and process safety, environmental protection and community well-being.

Fatima is committed to:

- conduct its business in a manner that protects the health and safety of employees, contractors and others involved in our operations and the community in which we live and operate;
- conform to the requirements of all legislations, regulations and codes of practice pertaining to quality, health, safety and environment;
- implement environmental protection measures that address pollution prevention in all aspects of our business;
- prevent injuries, occupational illnesses, safety incidents and environmental excursions;
- encourage off-the job safety awareness among employees and their families;
- ensure that quality, health, safety and environment is a major responsibility of appropriately trained,

empowered and accountable employees and management;

- encourage and promote a culture where best quality, health, safety and environment practices and lessons learned from internal and external incidents are transparently shared with the stakeholders;
- reaffirm its corporate sustainability commitments towards business excellence and be a responsible global corporate organization throughout its lifecycle;
- maintain high standard of quality, health, safety and environment in all aspects of its business conduct and continuously improve its performance; and
- recognize and reward outstanding quality, health, safety and environmental performance.

Global Benchmarking on Systems and Standards

The Company aims to benchmark with global industry standards as a way forward to achieve the highest levels of excellence in its businesses. Keeping this target in view, a five year road map was rolled out in 2014 to obtain certifications of globally renowned standards and implement best in class practices. In 2019, the efforts were focused to sustain and improve already implemented systems like Process Safety Management (PSM), Integrated Management System (IMS) and HACCP Food Safety Certification. Where already implemented systems were strengthened in 2019, huge strides were made to comply with requirements of DuPont Environment Management System (EMS).

The safety performance statistics are a true reflection of the efforts towards HSE culture improvement which includes a reduction in serious Process Safety Incidents and injuries, continuity in increasing the trend of safe million man hours and improved focus towards the community and environment.

Environmental Management System (EMS) - A step towards excellence

EMS was launched in April 2018 and the level-II procedures rolled out. Validation of all employees on EMS completed and quiz competitions conducted between all the Company site departments to improve awareness. Furthermore, initiatives like Environment Walk & National Highway Plantation highlights the Company's drive towards better and cleaner environment.

Large Scale Industrial Mock Drill

The Company's Sadiqabad plant collaborated with District Disaster Management Authority (DDMA) to conduct a Large Scale Industrial Mock Exercise on Tuesday 5 November, 2019 at the neighboring community, Jindu Ki Mari. Over 1,500 individuals participated in this exercise including 300 local residents from nearby communities, Fatima Fertilizer employees and representatives from 18 Government departments including 1122, Health, Education, Civil Defense, National Highway and Motorway Police, Railways and local administration to name a few. The objective of the mock exercise was to review the emergency preparedness of Fatima Fertilizer site and District agencies in surrounding community to handle any unforeseen industrial calamity. The drill was witnessed by key representatives from local government and safety professionals from prominent industries like FFC, Unilever, Sheikhupura Plant, Fatima Energy, Pakarab Fertilizers, JDW Sugar Mill and FG Corporate HSE.

Achieving 50 Safe Million Man-hours Milestone

Sadiqabad plant becomes the first fertilizer manufacturing company of Pakistan to successfully achieve 50 safe million man-hours in April-19. Achieving this milestone is a result of implementation of robust HSE systems, team's dedication towards HSE and putting the Company values into action.

“#Name to Fame” – Unsafe Act & Condition Reporting Campaign

Gratitude is powerful and contagious; it brings motivation and improves overall culture especially when it comes to HSE. An appreciation campaign titled “#Name to Fame” was launched at Fatima Fertilizer site with an objective to improve safety culture at site, acknowledgment of individuals & departments and to improve unsafe acts and unsafe conditions reporting at site. This campaign award’s winners in the following three categories on monthly basis:

- Highest reporting individual
- Department with best reporting ratio
- Highest reporting department

Tree Plantation Drive

Sadiqabad plant site revived Tree Plantation drive during Monsoon 2019. A ceremony was conducted for tree plantation on main KLP road in collaboration with NHA on 18 August, 2019. NHA officials along with Fatima team planted trees on KLP road medians. Since the last monsoon, Sadiqabad plant has planted 800 trees covering 3 KM area and achieved its target of 10,000 trees plantation in 2019.

Defensive Driving Training Sessions

According to WHO key facts, approximately 1.35 million people die each year as a result of road traffic crashes. Keeping these staggering statistics in view, a comprehensive Training Program was developed by Fatima Fertilizer HSE on “Defensive Driving”. A subject matter expert was engaged who conducted a total of 13 training sessions on this topic. 1,800 man-hours were effectively utilized on this training.

Distinction at BSC International Safety Award, 2019

British Safety Council’s International Safety Awards recognize and celebrate organizations which have demonstrated a real commitment in protecting their workers from the risk of injury and ill health during a year. Fatima Fertilizer was awarded “Distinction” for its relentless efforts to uplift Health and safety standards at workplace.

16th Annual Environment Excellence Award, 2019

Fatima Fertilizer was awarded 16th Annual Environment Excellence Award, 2019. This award was recognition of Fatima Fertilizer contributions in areas of Environment Protection, Energy Conservation and sustainable Socio-Economic development for trying to make our country and this world a better place.

Introducing MIT’s cutting edge STAMP concept in Fatima

Fatima’s Corporate HSE is spearheading the collaboration with Massachusetts Institute of Technology (MIT), USA to introduce and implement the System Theoretic Accident Model and Process (STAMP) - a novel, cutting edge accident causality model based on systems theory and systems thinking. STAMP integrates into engineering analysis the causal factors in today’s increasingly complex systems such as software, human-decision making and human factors, new technology, social and organizational design, and safety culture. System Theoretic Process Analysis (STPA) and Causal Analysis Based on System Theory (CAST) are powerful STAMP techniques which are being used around the world in aerospace, aviation, automotive, defense, process and oil & gas industries to identify and eliminate risks.

Dr. John Thomas, Executive Director - Safety and Cyber Security Research Group, MIT visited our head office in Lahore in December 2019 and shared the STAMP concepts with the CEO, Executive Directors and senior leadership team.

This collaboration will take our safety efforts to the next level by using STAMP tools to re-validate and strengthen the traditional safety techniques.

Participation in National and International Forums

64th Annual American Institute of Chemical Engineers (AIChE) Symposium, USA

Sadiqabad plant site's Unit Manager HSE presented paper on "Rationalizing Safety Critical System" in the 64th Annual AIChE symposium in San Francisco, USA. This annual symposium is dedicated to improve the safety of Ammonia plants and related facilities. The Company's safety systems were greatly acknowledged and applauded by the forum.

Environment International Conference & Exhibition (ICE) 2019

Sadiqabad plant site's Lead Environment Engineer participated in ICE 2019 in Lahore. This event was hosted by Environment Protection Department (EPD) in collaboration with World Bank. Local and International environmentalists and corporations attended this event.

3rd American Society of Safety Professionals HSE Conference

The Corporate HSE Unit Manager presented a paper on 'Systematic approach to implement and improve globally recognized and proven HSE systems' in the 3rd Safety Professional Development Conference 2019 conducted by American Society of Safety professionals (ASSP) Pakistan Chapter in Lahore which was very well recognized and appreciated by the participants.

Sr. E&IH Engineer Corporate HSE also participated in the WISE (Women in Safety Engineering) panel discussion on 'Off the Job Safety', which was held as part of the ASSP PDC.

The Company was also one of the proud sponsors of the event.

6th Health, Safety and Environment Conference, Attock Refinery Limited (ARL)

Sadiqabad plant site's Process Safety Engineer presented paper on "Improving Safety Performance through Safety Indicators" in 6th HSE conference organized by ARL. The Company's world class safety standards were duly acknowledged by safety professionals in attendance.

TALENT SUSTAINABILITY

1. Culture

Value & Behaviour Refresher - 2019

Fatima's continued focus is on creating value for its employees, customers, investors and other stakeholders. We believe a values based culture is critical to delivering that value. Therefore, 2019 has been another year of sustaining laser focus on engaging the employees in Head-Heart-Hand approach towards "Living our Values". Over 700 round table sessions were organized with 1000+ employees repeated participation, across the organization. These interventions aimed at discussing the challenges, dilemmas and finding solutions and action plans to deal with the dilemmas. Individual, In groups, and Online Values programs and tools have been developed and implemented.

2. Employee Engagement

Organization Health Survey

In line with the vision to make Fatima the best place to work, first ever organization Health Survey 2019 was launched. The survey aimed at seeking input from each employee on various employee engagement aspects. The survey was administered and managed by an independent third party Mercer Consulting International and was extended to 1,000 employees. Upon completion of the survey with 98% response rate, structured action planning sessions were arranged across the Group.

3. Building Leadership Pipeline

3.1 Empower to Lead –MTO & GTE Recruitment Drive 2019

Building on the success of 2018, Fatima further expanded its Empower to Lead (E2L) Program 2019 to cater to increasing number of foreign graduates wishing to join the organization. Fatima also launched its Campus Ambassador Program 2019 at the targeted universities across the country. The program served as an exciting platform for university students to partner with Fatima in coordinating multiple student engagement activities on premises.

FG E2L Program has a targeted strategy to attract top talent and provide leading career and growth opportunities to our youth. Empower to Lead Management Trainee & Graduate Trainee Engineer Recruitment drive is a 1-year structured program that is designed around systematic cross-functional rotations. The program offers an opportunity to the students to gain in-depth functional knowledge, competency development and objective based learning with pre-defined learning outcomes.

In 2019, more than 5,000 students appeared for the initial test (eligibility criteria, CGPA 3.0 and above), More than 800 sat through the screening interviews, more than 250 students participated in the assessment center and the brightest 65 joined as MTOs & GTEs.

3.2 Developing Bench Strength

Fatima has ensured a structured approach to succession planning in order to retain, engage and foster the right talent. FG succession planning framework allows a systematic approach to employee career development. The process involves identification of critical positions at CEO – 1 to CEO – 3 levels, followed by potential assessment of the targeted population. All the successors are provided structured development opportunities based on 70-20-10 development rule integrated with their Individual Development Plan (IDP).

4. Employee Development

4.1 Development Need Analysis (DNA)– 2.0

Talent Sustainability (Center of Expertise) successfully launched the Functional Competency Model and integrated it with employee development to ensure our talent acquires and develops the right skills for their own and business' sustained growth. The DNA framework is built on these functional competency models to ascertain the organizations development needs. The same becomes the identified skill and experience plan facilitated through out the year through training calendar. This systematic approach and tools are expected to deliver a capable organization and leadership in line with FG Leadership Model.

4.2 Employee Development Framework 2019

Building on its employee development strategy, Fatima has heavily invested in training & development of its resources with a focus on developing business leaders that can change the landscape by achieving efficiency and accuracy at the workplace. 18,313 training hours have been delivered across the organization, equating 2.68 training days per employee.

Key Achievements - Employee Development 2019

18,313 Hours

TOTAL TRAINING HOURS COMPLETED
(JANUARY 2019 - December 2019)

Milestone achieved by engaging employees through out the group

Developing Individuals

Scope: N1 to M9
For training and development of employees across the group:

Achieving Results
Creating A Winning Culture
Reaching Finish Line
Finance for Non Financial Manager
LinkedIn Lynda

10,363 Hours

2.68 **TRAINING DAYS Delivered Per Employee on Fatima's 3S Leadership Model**

Developing Future Leaders

Scope: Lead From the Front participants
Initiatives taken for development of Fatima Future Leaders:

LUMS Leadership Development Program Business Simulation
Care & Growth Model
Harvard Manage Mentor
Fatima Leadership Academy
2,378 Hours

Developing Managers

Scope: M10 to M12A
To enhance performance of Managers and their teams:

Coaching for improved Performance
Breaking Silos and Change Management
Competency Based Interview
Power Hour (COSO, Leadership case Development Value Creation

5,572 Hours

4.3 Fatima Leadership Academy

A well chalked out development plan by one of our development partners tailored to Fatima's development needs under the 3S Leadership Model was put in place to elevate and build the leadership profile of our future leaders. The program involved one on one coaching session followed by pre and post program 360 degree leadership assessment that helped the participants to understand their areas of strength and improvement and set the right stage and mindset while entering the program. It has been structured in three modules, adapted to our Leadership and business challenge and holistically covered all aspects of leadership development;

4.4 LUMS Leadership Development Program (LDP)

LUMS LDP is a 7 day customized residential learning intervention for 25 Fatima Future Leaders. The program has been developed in partnership with LUMS. The program aims at providing a challenging and stimulating learning environment to the participants with exposure to global and local best practices, Business and People case studies, simulations, face to face sessions with successful business leaders at home and abroad.

Leadership Development Program

- Core of Business Success
- Leader that Matters
- Value Creation
- Enabling Others & Celebrating Success
- Critical Thinking and Decision Making

5. Enhanced Learning through Online Learning Platforms

5.1 Harvard Manage Mentor (HMM)

Harvard Manage Mentor is an online learning platform that provides senior managers an expert insight that matters, with the content fueled by latest and proven practices from Harvard Business Publishing's and other renowned world-class experts. The program was targeted at the development of our mid – senior tier employees. The program comprised of 20 modules to be completed by each participant over a period of one year.

5.2 LinkedIn Lynda

Fatima has also partnered with LinkedIn Lynda, another well renowned online platform for new, on-demand content. LinkedIn Learning offers more than 6,000 on-demand courses with constructive Learning Paths and series of courses in which industry experts teach valuable knowledge and enhance functional and leadership capability. This program was introduced to provide an opportunity to our Emerging Leaders (mid-tier employees) to leverage the opportunity to develop their leadership skills. 20 modules along with well-structured learning paths were assigned to each participant to be completed over a span of 1 year.

Fatima has established robust internal evaluation forums, processes and tools to measure the success of these programs. The ExCom is a direct stakeholder in the success of Future Leader development to provide a strong pipeline for sustained business growth.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to act as a responsible corporate citizen and will continue its social and corporate commitments for the benefits of surrounding populations. We owe a lot to the environment and the people we work with. We feel responsible towards the communities and aim to contribute for their betterment in every way possible. Our corporate social responsibility is more than just a statement. All companies of Group strive together in a singular direction that is contributing for the wellbeing of the local communities. Our initiatives in health, environment and other social sectors are the living proof of our concern. We believe that the growth of our business depends on the growth of the communities around us.

We have outlined six key initiatives to smoothly carry out our corporate social responsibilities:

- Community development
- Environment protection
- Governance and Ethical Practices
- Employee growth and wellbeing
- Customers service
- Working relationship with Shareholders/ Investors

In Community development, our prime focus is on the following two sectors:

1) Health Sector
2) Education Sector

Fatima Flagship Health Project – Mukhtar A. Sheikh Hospital

Established in the heart of Southern Punjab, Mukhtar A. Sheikh Hospital is a state of the art facility aiming to serve a large population of the region. Mukhtar A. Sheikh is a multidisciplinary tertiary care hospital, striving for people well-being and service to the humanity.

Mukhtar A. Sheikh hospital has introduced the latest of technologies in healthcare industry under one roof. Aligning with the most notable medical professionals both nationally and internationally, the hospital is designed to embrace best international healthcare practices.

As one of the largest hospital in Pakistan, Mukhtar A Sheikh Hospital offers a complete range of health care services including clinical, diagnostic, out-patient, and others. For more details please visit our website www.mashospital.org

Spring Clinic

Spring Clinic / Institute of Psychiatry is a medium sized medical facility for psychiatric / psychological patients. Its medical team comprises Psychiatrists, Clinical Psychologists and Speech Therapists. The patient mix include adults (both genders) and children.

Spring is a subsidiary of Mukhtar A. Sheikh Hospital. Spring has its own identity and separate infrastructure.

Fatima's Contributions to Education Sector

Fatima aims to make quality education accessible and affordable to the deserving children of Pakistan.

In 2019, we have actively sponsored the students of following Institutes besides operating our own schools inside our plants premises.

- Care Foundation
- TCF (The Citizens Foundation)
- NAMAL College
- IBA (Institute of Business Administration)
- LUMS (Lahore University of Management Sciences)

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 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 is 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, 2019 to December 31, 2019 and the data has mainly been obtained from Finance, Operations, Marketing and Sales, Human Resources, Corporate Secretariat, Internal Audit, Information Technology, Supply Chain, 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 KPIs 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 Listed Companies (Code of Corporate Governance), Regulations, 2019

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2019, and reports that:

- The Company has issued a "Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019" 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 and 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, 2019, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company.

- 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 Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 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, Deloitte Yousuf Adil, Chartered Accountants have completed their Audit assignment of the Company's ''Financial Statements" and the "Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019" for the financial year ended December 31, 2019 and shall retire on the conclusion of the 17th 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 17th Annual General Meeting scheduled for June 29, 2020 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends their reappointment for the financial year ending December 31, 2020.

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

For and on behalf of Audit Committee

Lahore
June 01, 2020

M. Abad Khan
Member-Audit Committee

STATEMENT OF COMPLIANCE
with Listed Companies (Code of Corporate Governance) Regulations, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:

a. Male: 7 members
b. Female: 1 member

2. The composition of the Board is as follows:

i.	Independent directors	1
ii.	Other non executive directors	5
iii.	Executive directors	2
iv.	Female directors (Independent)	1

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

4. 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.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Directors' Training Program for the following:

   Name of Director Mr. Tariq Jamali

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There is no new appointment of CFO and Head of Internal Audit during the year.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

1.	Ms. Anja Elisabeth Nielsen	Chairperson
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Faisal Ahmed Mukhtar	Member
4.	Mr. Tariq Jamali	Member
5.	Mr. M. Abad Khan	Member

b) HR and Remuneration Committee

1.	Ms. Anja Elisabeth Nielsen	Chairperson
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Faisal Ahmed Mukhtar	Member
4.	Mr. M. Abad Khan	Member

c) Nomination and Risk Management Committee

1.	Mr. Fazal Ahmed Sheikh	Chairman
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. M. Abad Khan	Member

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

a) Audit Committee

The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Regulations.

b) HR and Remuneration Committee

The meeting of the HR and Remuneration Committee was held once during the year.

c) There was no meeting of the Nomination and Risk Management Committee during the year.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. 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 and registered with Audit Oversight Board of Pakistan, 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 Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and compliance requirement of regulation 6 would be complete upon reconstitution / next election of the Board to be held on June 29, 2020.

Place: Lahore	Fawad Ahmed Mukhtar	Arif Habib
June 01, 2020	CEO	Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

On The Statement Of Compliance Contained In Listed Companies (Code Of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Fatima Fertilizer Company Limited** (the Company) for the year ended December 31, 2019, in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 control 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Date: June 01, 2020

Lahore

INDEPENDENT AUDITOR'S REPORT

To the members of Fatima Fertilizer Company Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Fatima Fertilizer Company Limited (the Company), which comprise of statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key matters:

Key audit matter	How the matter was addressed in our audit
1 Revenue Recognition The Company's sales comprise of revenue from the sale of fertilizer and mid products which has been disclosed in note 26 to the financial statements. Revenue from the sale is recognized, when the Company satisfies the performance obligation under the contract by transferring the promised goods to the customers. Revenue recognition criteria has been explained in note 4.21 to the financial statements. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on the satisfaction of the performance obligation under the contract with the customer in line with the accounting policy adopted or may not have been recognized in the appropriate period.	Our audit procedures to address this key audit matter included the following: - obtaining an understanding of and assessing the design and implementation and operating effectiveness of key internal controls over recognition of revenue; - assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; - checked on a sample basis the recorded sales transactions with underlying supporting documents; - testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents; and - assessed the adequacy of related disclosures in the financial statements.

Key audit matter	How the matter was addressed in our audit
2 Merger of Fatimafert Limited with and into the Company As disclosed in note 1.2 to the financial statements, during the year, the Honorable Lahore High Court through its order dated March 03, 2020 has sanctioned the Scheme of amalgamation between Fatimafert Limited and Fatima Fertilizer Company Limited. Pursuant to this sanction the entire business of Fatimafert has been amalgamated into and vested in the Company effective from January 01, 2019. The merger was significant to our audit due to the complexity of the transaction and in particular due to involvement of judgement in determining the correct accounting treatment of the transaction. Such merger transactions are classified as Business Combination Under Common Control and high level of judgment is involved in the accounting, presentation and disclosure of such transaction.	Our audit procedures to address this key audit matter included the following: - reviewed the minutes of the board and Extra Ordinary General Meeting for the approval of the merger transaction and inspected the order by the Honorable Lahore High Court. Based on this and other supporting documentation we have assessed the appropriateness of the effective date of merger; - read the scheme of amalgamation to understand the key terms and conditions, and confirmed our understanding of the transaction with the management; - checked the accounting methods used by the management that included identification of assets and liabilities in accordance with scheme of amalgamation; - checked the corresponding figures are same as presented in last year's consolidated financial statements; and - assessed the adequacy of disclosures in the financial statements of the company.

Information Other than the Financial Statements and Auditor's Report Thereon

Management of the Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's management.
- Conclude on the appropriateness of the Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman khan.

Deloitte Yousuf Adil

Chartered Accountants

Date: June 01, 2020

Lahore

STATEMENT OF FINANCIAL POSITION
as at December 31, 2019

	Note	2019	2018
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,700,010,000 (2018: 2,500,000,000) shares of Rs 10 each		27,000,100	25,000,000
Issued, subscribed and paid up share capital			
2,100,000,000 (2018: 2,100,000,000) ordinary shares of Rs 10 each	6	21,000,000	21,000,000
Reserves	7	57,008,298	48,594,972
		78,008,298	69,594,972
NON CURRENT LIABILITIES			
Long term finances	8	6,253,636	8,376,578
Lease liabilities		278,630	–
Deferred liabilities	9	19,942,553	18,609,478
Long term deposits		61,267	57,183
		26,536,086	27,043,239
CURRENT LIABILITIES			
Trade and other payables	10	26,483,859	18,069,248
Accrued finance cost	11	836,743	306,253
Short term finances - secured	12	16,264,983	5,494,802
Current maturity of lease liabilities		571,301	–
Unclaimed dividend		189,950	68,832
Current maturity of long term finances	8	6,225,085	7,630,942
		50,571,921	31,570,077
CONTINGENCIES & COMMITMENTS	13		
		155,116,305	128,208,288

The annexed explanatory notes from 1 to 45 form an integral part of these financial statements.

	Note	2019	2018
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	100,720,660	91,718,705
Intangible assets	15	5,973,548	5,978,747
Investment property	16	627,573	–
		107,321,781	97,697,452
Long term investments	17	174,846	145,802
Long term loan to associated company	18	2,999,000	1,999,333
Long term deposits		81,763	254,820
		3,255,609	2,399,955
		110,577,390	100,097,407
CURRENT ASSETS			
Stores and spares	19	7,713,456	5,833,825
Stock in trade	20	11,517,911	6,099,971
Trade debts	21	7,206,970	2,564,524
Short term loans	22	3,241,723	3,241,723
Advances, deposits, prepayments and other receivables	23	13,813,982	9,030,134
Short term investments	24	530,134	623,273
Cash and bank balances	25	514,739	717,431
		44,538,915	28,110,881
		155,116,305	128,208,288

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

STATEMENT OF PROFIT OR LOSS
for the year ended December 31, 2019

	Note	2019	2018
		(Rupees in thousand)	
Sales	26	74,964,214	51,309,994
Cost of sales	27	(47,065,331)	(25,639,375)
Gross profit		27,898,883	25,670,619
Distribution cost	28	(3,800,064)	(3,684,686)
Administrative expenses	29	(2,778,727)	(2,316,965)
		21,320,092	19,668,968
Finance cost	30	(3,760,909)	(1,822,902)
Other operating expenses	31	(1,480,466)	(1,708,069)
		16,078,717	16,137,997
Other income	32	1,089,749	603,101
Share of profit from Associate		24,687	49,211
Profit before tax		17,193,153	16,790,309
Taxation	33	(5,123,471)	(4,876,754)
Profit for the year		12,069,682	11,913,555
Earnings per share - basic and diluted (Rupees)	35	5.75	5.67

The annexed explanatory notes from 1 to 45 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2019

	2019	2018
	(Rupees in thousand)	
Profit for the year	12,069,682	11,913,555
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Deficit on remeasurement of investments - available for sale	–	(4,106)
Fair value through other comprehensive income (FVTOCI)	(1,270)	–
Related tax thereon	368	1,192
	(902)	(2,914)
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of post retirement benefits obligation	27,530	(71,729)
Related tax thereon	(7,984)	18,702
	19,546	(53,027)
Other comprehensive income - net of tax	18,644	(55,941)
Total comprehensive income for the year	12,088,326	11,857,614

The annexed explanatory notes from 1 to 45 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2019

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Surplus / (Deficit) on remeasurement of investment available for sale / FVTOCI	Total
		Share premium	Unappropriated profit			
	(Rupees in thousand)					
Balance as at December 31, 2017	21,000,000	1,790,000	42,899,054	(42,819)	(1,237)	65,644,998
Deferred tax on fair value adjustment (refer note 1.2)	–	–	(3,182,640)	–	–	(3,182,640)
	21,000,000	1,790,000	39,716,414	(42,819)	(1,237)	62,462,358
Profit for the year	–	–	11,913,555	–	–	11,913,555
Other comprehensive income	–	–	–	(53,027)	(2,914)	(55,941)
Total comprehensive income	–	–	11,913,555	(53,027)	(2,914)	11,857,614
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	–	–	(4,725,000)	–	–	(4,725,000)
Balance as at December 31, 2018	21,000,000	1,790,000	46,904,969	(95,846)	(4,151)	69,594,972
Profit for the year	–	–	12,069,682	–	–	12,069,682
Other comprehensive income	–	–	–	19,546	(902)	18,644
Total comprehensive income	–	–	12,069,682	19,546	(902)	12,088,326
Transactions with owners:						
- Final dividend for the year ended December 31, 2018 @ Rs 1.75 per share	–	–	(3,675,000)	–	–	(3,675,000)
Balance as at December 31, 2019	21,000,000	1,790,000	55,299,651	(76,300)	(5,053)	78,008,298

The annexed explanatory notes from 1 to 45 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

for the year ended December 31, 2019

	Note	2019	2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	39	16,433,191	22,112,191
Net increase in long term deposits		4,084	557
Finance cost paid		(3,158,333)	(1,776,611)
Taxes paid		(6,344,883)	(3,012,522)
Employee retirement benefits paid		(55,210)	(44,106)
Net cash from operating activities		6,878,849	17,279,509
Cash flows from investing activities			
Additions in property, plant and equipment		(10,728,308)	(8,596,336)
Addition in investment property		(627,650)	–
Additions in intangible assets		(22,365)	(57,655)
Long term investment		–	(1,960)
Short term loan to associated company - net		–	(2,000,000)
Short term investments made		(167,016)	(471,216)
Proceeds from short term investment		323,526	80
Proceeds from disposal of property plant and equipment		1,729	1,534
Net decrease / (increase) in long term deposits		173,057	(140,077)
Profit received on loans and saving accounts		724,947	414,161
Net cash used in investing activities		(10,322,080)	(10,851,469)
Cash flows from financing activities			
Repayment of long term finances		(7,685,021)	(7,396,384)
Proceeds from long term finances		4,000,000	2,156,282
Repayment of lease liabilities		(290,739)	–
Dividend paid		(3,553,882)	(4,680,724)
Increase in short term finances - net		10,770,181	3,378,129
Net cash from / (used in) financing activities		3,240,539	(6,542,697)
Net decrease in cash and cash equivalents		(202,692)	(114,657)
Cash and cash equivalents at the beginning of the year		717,431	832,088
Cash and cash equivalents at the end of the year		514,739	717,431

The annexed explanatory notes from 1 to 45 form an integral part of these financial statements.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

1. Legal Status and nature of business

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

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

Registered office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facilities of the Company are located at Mukhtargarh, Sadiqabad and near Chichoki Mallian, at Sheikhupura road, Pakistan.

1.2 Merger of Fatimafert Limited, a wholly owned subsidiary, with the Company

The Board of Directors ("the Board") of the Company in their meeting held on October 15, 2018 considered and approved in principle to merge Fatimafert Limited (FFT), a wholly owned subsidiary, into the Company in accordance with the scheme of arrangement ("the Scheme") prepared under the provisions of Section 279 to 283 and 285(8) of the Companies Act, 2017. Accordingly, the Company filed a petition before Lahore High Court ("the Court") for sanction of the scheme and the Court vide order dated July 12, 2019 directed the both companies to hold Extra-ordinary General meetings ("EOGM") of the shareholders to ascertain the wishes of members with reference to the Scheme. The said EOGMs were held on August 23, 2019 and shareholders of the Companies in principle considered and approved the merger. The Court after considering all the facts and circumstances sanctioned the Scheme through its order dated March 03, 2020, effective from January 01, 2019 (effective date). Pursuant to this sanction, the entire business of FFT including its properties, assets, liabilities and rights and obligations have vested into the Company, with effect from effective date.

The merger has been accounted for in the books of the Company using 'pooling of interest' method as it was a business combination of entities under common control and therefore, scoped out of IFRS 3 'Business Combinations'. Since FFT was wholly owned subsidiary of the Company acquired on July 01, 2015, the values incorporated in the consolidated financial statements of the Company (as per acquisition method of accounting) are considered for the purpose of applying pooling of interest method except for the impact of deferred tax. Accordingly, the Company has recognized an additional deferred tax liability aggregating to Rs 3,182.64 million relating to fair value adjustment recognized in consolidated financial statements which was not accounted for earlier due to separate taxability of FFT and the Company.

1.3 As stated above, after the merger the consolidated financial statements are no longer required. The comparative figures in these financial statements reflect the amounts presented in the Company's Consolidated Financial Statements for the year ended December 31, 2018, except for adjustment of deferred tax liability as explained in note 1.2.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB);
- Provisions of and directives issued under the "Act".

Where provisions of and directives issued under the Act differ from the IFRS Standards, the provisions of and directives issued under the Act have been followed.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2019

The following standards, amendments and interpretations are effective for the year ended December 31, 2019. 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:

	Effective from accounting period:
– Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2019
– Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
– Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
– IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
– IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	January 01, 2019
– Annual improvements to IFRS standards 2015-2017 cycle amendments to: - IFRS 3 'Business Combinations'; - IFRS 11 'Joint Arrangements'; - IAS 12 'Income Taxes'; and - IAS 23 'Borrowing Costs'.	January 01, 2019
– IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit loss impairment model that replaces the current incurred loss impairment model.	July 01, 2018

The impact of adoption of these new standards is disclosed in note 5.

2.3 Standards or Interpretations with significant impact

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases, it will result in almost all lease being recognized on the statement of financial position, as the distinction between operating and finance leases is removed under the new standard, an asset (the right to use leased item) and the financial liability to pay rentals are recognized. The only exceptions are short term and low value leases.

2.4 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:

	Effective from accounting period:
– Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business. Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
– Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
– Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective date is deferred indefinitely is permitted
– Classification of Liabilities as Current or Non Current (Amendments to IAS 1)	January 01, 2022
– Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	January 01, 2020

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 17 – Insurance Contracts
- IFRS 14 – Regulatory Deferral Accounts

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.

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 statement of financial position 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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, 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, 2019. 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 statement of profit or loss.

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. 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 (PPE) 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 4.15.

Depreciation on property, plant and equipment is charged to statement of profit or loss 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 14.

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 asset's 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 statement of profit or loss 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

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such an asset can also be measured reliably. Subsequently asset is measured as follows:

With Indefinite useful life

Intangibles assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the intangible is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized as an expense in profit or loss immediately.

With finite useful life

Expenditure incurred to acquire intangible assets are capitalized 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 Investment property

Investment property, which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss. Depreciation on buildings is charged to income on straight line method at the rate of 4%. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed. The difference between present value of the proceeds from disposal and the carrying amount is recognized in the statement of profit or loss.

Rental income from investment property that is leased to a third party under an operating lease is recognised in the statement of profit or loss on a straight line basis over the lease term and is included in 'other income'.

4.7 Long term investments

The Company's long term investments are investments in associates, entities over which the Company exercise significant influence. These Investments are initially recognized at cost and subsequently carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the associates using the equity method. The Company's share of the associates profit or loss is recognized in the Company's statement of profit or loss. At each reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the profit or loss.

4.8 Leases

As a lessee, the Company recognises right of use asset and lease liability at the lease commencement date.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of the property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

– fixed Payments , including in substance fixed Payments;

– variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;

– amount expected to be payable under a residual guarantee; and

– the exercise under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero.

4.9 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.9.1 Financial assets

Classification

Effective January 1, 2019, the Company classifies its financial assets in the following measurement categories:

(i) Amortised cost, where the effective interest rate method will apply;
(ii) Fair value through profit or loss (FVTPL);
(iii) Fair value through other comprehensive income (FVTOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Further, assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

a) Debt instruments measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

– The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income (FVTOCI).

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains / (losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as separate line item in the profit or loss.

c) Debt instruments designated as at fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains / (losses) in the period in which it arises.

Equity instruments

On initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

Effective January 1, 2019, the Company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade debts, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and other direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets general 3 stage approach is used i.e. to measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Company recognizes an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

4.9.2 Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

I- At fair value through profit or loss; and

II- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss.

b) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4.10 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.

4.11 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.

4.12 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 signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.13 Trade debts and other receivables

These are recognized and carried at the original invoice amounts, being the fair value and subsequently measured at amortized cost using the effective interest rate method, less loss allowance, if any. For measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39. IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables) as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

4.14 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.

4.15 Borrowings and their costs

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 statement of profit or loss over the period of the borrowings using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

4.16 Related party transactions

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

4.17 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.

4.18 Provisions

Provisions are recognized when the Company have 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 reporting 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for in financial statements.

4.19 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 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 statement of profit or loss. Amounts accumulated in equity are recognized in statement of profit or loss in the periods when the hedged item will effect profit or loss.

4.20 Impairment of 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.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of profit or loss.

4.21 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Revenue from sale of goods is recognised at the point in time when control of the fertilizers products and chemical is transferred to the customer, generally on delivery of the goods.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in revenue.

Revenue from sale of Certified Emission Reductions (CERs) is recognized on the satisfaction of performance obligation i.e. 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. Interest income is recognized on accrual basis.

4.22 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 reporting date. Foreign exchange gain and losses on retranslation are recognized in the statement of profit or loss. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.23 Dividend

Dividend distribution to the Company's members is recognised as a liability in the reporting period in which dividends are declared.

4.24 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 weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting for the effects of all dilutive potential ordinary shares.

5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" on the Company's financial statements that have been applied w.e.f January 1, 2019 as follows:

(a) Impact of IFRS 9 - Financial Instruments

IFRS 9 replaces certain provisions of IAS 39 - 'Financial Instruments: Recognition and Measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

The adoption of IFRS 9 from January 01, 2019 has resulted in changes in relevant accounting policies and adjustment to the trade debts amounts recognized in the financial statements. IFRS 9 requires implementation of a new impairment model based on expected credit losses (ECL), resulting in no adjustment. In accordance with the provisions of IFRS 9, the Company has followed modified retrospective method.

Modified retrospective approach means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of January 1, 2019 and comparatives are not restated.

	Classification and measurement category		Carrying amount	
	Original (Under IAS 39)	**New (Under IFRS 9)**	**Original (Under IAS 39)**	**New (Under IFRS 9)**
Financial assets			**(Rupees in thousand)**	
Trade debts	Loans and receivables	At amortized cost	2,564,524	2,564,524
Cash and bank balances	Loans and receivables	At amortized cost	717,431	717,431
Long term loan to associated company	Loans and receivables	At amortized cost	2,999,000	2,999,000
Short term loans	Loans and receivables	At amortized cost	3,241,723	3,241,723
Advances, deposits, prepayments and other receivables	Loans and receivables	At amortized cost	2,091,708	2,091,708
Short term investments	FVTPL	FVTPL	429,346	429,346
Short term investments	Available for sale	FVTOCI	193,927	193,927
Financial liabilities				
Long term finances	Other financial liabilities	At amortized cost	16,007,520	16,007,520
Trade and other payables	Other financial liabilities	At amortized cost	18,069,248	18,069,248
Unclaimed dividend	Other financial liabilities	At amortized cost	68,832	68,832

(b) Impact of IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5 step approach to revenue recognition:

Step 1 - Identify the contract(s) with a customer.
Step 2 - Identify the performance obligations in the contract.
Step 3 - Determine the transaction price.
Step 4 - Allocate the transaction price to the performance obligations in the contract.
Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company sales Fertilizer products and chemicals. Revenue from sale of goods is recognized when the Company satisfies a performance obligation (at a point of time) by transferring promised goods to customer being when the goods are dispatched to customers. This criteria of revenue recognition for its timing and amount is in accordance with repealed IAS 18 which is also consistent with IFRS 15 therefore, the management concludes that the adoption of IFRS 15 does not have any material impact on the reported revenue of the Company for the year ended December 31, 2018 or December 31, 2019.

(c) Impact of IFRS 16 - Leases

IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard and became effective on January 1, 2019. Under the new lease standard, almost all assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability as the distinction between operating and finance leases is removed. However, an optional exemption exists for short term and low value leases. As a rule, lease expenses are no longer recorded in the statement of profit or loss from January 1, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized leased assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability are presented in the cash flow from operating activities. The Company has adopted IFRS 16 using the modified retrospective approach w.e.f January 01, 2019, accordingly, initial application of IFRS 16 did not have any impact on the opening retained earnings as of January 01, 2019.

The weighted average incremental rate applied to lease liabilities recognized on January 01, 2019 was 11.58% per annum. The impact of adoption of IFRS 16 is as follows:

	As per IAS 17	As per IFRS 16
	(Rupees in thousand)	
Non Current Assets		
Right to use Assets	–	356,341
Non-current Liabilities		
Lease Liabilities	–	239,523
Current Liabilities		
Current portion of Lease Liabilities	–	116,818

Upon initial recognition, the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight line basis over the shorter of estimated useful lives of the right of use assets or the lease term unless ownership of asset transfer to company at the end of lease term in that case depreciation of the right of use asset shall be from the commencement date to the end of the useful life of the underlying asset.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Significant judgements upon adoption of IFRS 16

IFRS 16 requires the Company to assess the lease term as the non cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options.

A portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor or cancelable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short term in nature and payments made in respect of these leases are accordingly expensed in the statement of profit or loss. Further leases that are considered immaterial as per management are also expensed out to profit or loss using the practical expedient provided by IFRS 16.

The lease liabilities as at January 01, 2019 can be reconciled to the operating lease commitments as of Dec 31, 2018 as follows:

	(Rupees in thousand)
Operating lease commitments as at December 31, 2018	490,954
Discounted operating lease commitments as at January 01, 2019	440,002
Ijarah and others	(83,661)
Lease liabilities as at January 01, 2019	356,341

6 Issued, subscribed and paid up share capital

2019	2018		2019	2018
(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

6.1 Ordinary shares of the Company held by associates at year end are as follows:

	2019	2018
	(Number of Share)	
Arif Habib Corporation Limited	319,000,206	319,000,206
Fatima Holding Limited	62,967,373	481,290,785
Fazal Cloth Mills Limited	69,114,031	69,114,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
Fatima Trade Company Limited	160,430,261	–
Fatima Management Company Limited	160,430,261	–
Fatima Trading Company (Pvt) Limited	97,462,890	–
Arif Habib Equity (Pvt) Limited	19,409,500	54,409,500
	891,439,688	926,439,688

	2019	2018
	(Rupees in thousand)	
7 Reserves		
Capital reserves:		
Share premium	1,790,000	1,790,000
Revenue reserves:		
Unappropriated profit	55,299,651	46,904,969
Post retirement benefit obligation reserve	(76,300)	(95,846)
Deficit on remeasurement of investments:		
- available for sale	–	(4,151)
- fair value through other comprehensive income (FVTOCI)	(5,053)	–
	57,008,298	48,594,972

		Note	2019	2018
			(Rupees in thousand)	
8	**Long term finances**			
	Rated, Listed and Secured Ijarah Sukuk	8.2	4,200,000	6,300,000
	Secured loans from Banking companies / Financial institutions	8.3	8,278,721	9,707,520
			12,478,721	16,007,520
	Less: Current portion		6,225,085	7,630,942
			6,253,636	8,376,578

		2019	2018
8.1	**Movement of Long term finances**		
	Opening balance	16,007,520	20,892,333
	Disbursements received during the year	4,000,000	2,156,282
	Repayments during the year	(7,685,021)	(7,396,384)
	Exchange loss on translation of foreign currency loan	156,222	355,289
		12,478,721	16,007,520
8.2	**Rated, Listed and Secured Ijarah Sukuk**		
	Opening balance	6,300,000	8,400,000
	Less: Repayments during the year	2,100,000	2,100,000
		4,200,000	6,300,000
	Less: Current portion	2,100,000	2,100,000
		2,100,000	4,200,000

The Sukuks are listed on Pakistan Stock Exchange. These Certificates were issued with face value of Rs 5,000 per certificate for the principal purpose of repayment of the outstanding balance of Senior Facility (SF) - an existing long term loan of the Company.

The profit is payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The effective rate of markup charged during the year ranged from 11.02% to 14.70% (2018: 7.28% to 11.02%) per annum.

The Sukuks are secured by pari passu charge over all present and future fixed assets of the Company. The credit rating of the Sukuks has been maintained at 'AA-' (Double A Minus) by PACRA on August 21, 2019.

The tenure of the Sukuks is 5 years and will be redeemed in ten (10) equal semiannual installments. Last repayment is due on November 28, 2021.

		Note	2019	2018
			(Rupees in thousand)	
8.3	**Secured loans from banking companies / financial institutions**			
	Syndicated Term Finance Agreement - III (STFA - III)	8.3.1	75,000	691,667
	Syndicated Term Finance Agreement - IV (STFA - IV)	8.3.2	–	1,500,000
	Export Credit Agency Finance	8.3.3	976,486	1,457,238
	Musharaka arrangement	8.3.4	1,488,667	2,977,333
	HBL Term Loan	8.3.5	375,000	1,125,000
	ABL Term Loan-I	8.3.6	400,000	800,000
	BAHL Term Loan	8.3.7	963,568	1,156,282
	BOP Term Loan	8.3.8	3,000,000	–
	ABL Term Loan-II	8.3.9	1,000,000	–
			8,278,721	9,707,520
	Less: Current portion		4,125,085	5,530,942
			4,153,636	4,176,578

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

This facility amounting to Rs 3,000 Million was obtained from a consortium of commercial banks / islamic bank / financial institutions led by Allied Bank Limited for the purpose of financing ongoing funding requirements.

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 11.72% to 14.33% (2018: 7.17% to 11.72%) per annum.

The facility is secured by 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. Last repayment is due on October 26, 2020. During the year the Company has paid installments aggregating to Rs 616.67 million (2018: Rs 839 million).

8.3.2 Syndicated Term Finance Agreement - IV (STFA - IV)

This facility amounting to Rs 3,000 Million was obtained from a consortium of commercial banks led by Allied Bank Limited for the purpose of financing ongoing funding requirements.

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 10.93% to 13.73% (2018: 7.19% to 10.93%) per annum.

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

The loan was repayable in three years including one year grace period in four half yearly installments. Last repayment was due on November 23, 2019. During the year the Company has paid installments aggregating to Rs 1,500 million (2018: Rs 1,500 million).

8.3.3 Export Credit Agency Finance

This facility amounting to USD 22 million was obtained from Standard Chartered Bank (UK) for the purpose of purchase of Waste Gas Boiler and Purifier with Expander for Ammonia Debottlenecking (DBN) Project at Ammonia plant.

The facility carries markup rate of 3 months LIBOR plus 4.25 % per annum. The effective rate of markup charged during the year ranged from 6.14% to 7.04% (2018: 5.84% to 7.04%) per annum.

The facility is secured by pari passu charge over all present and future fixed assets of the Company amounting to Rs 2,992 million.

This loan is repayable in twenty one equal quarterly installments with grace period of one year. Last repayment is due on June 15, 2021. During the year the Company has paid installments aggregating to USD 4.190 million (2018: USD 4.190 million).

8.3.4 Musharaka arrangement

The Company had entered into a Musharaka agreement for long term finance facility of Rs 4,466 million based on Islamic Mode of Diminishing Musharaka (Shirkat-ul-Milk) with Meezan Bank Limited acting as Investment Agent against the Musharak Assets.

The facility is for a period of 5 years, inclusive of a grace period of 2 years, while the first Musharaka buyout was due at the end of the 30th month from the date of first drawdown i.e. March 29, 2018.

The profit is payable semiannually in arrears at the markup rate of six months KIBOR plus 1.5%. KIBOR to be set on last working day prior to the beginning of each quarterly mark up period.

The finance facility is secured by all present and future movable fixed assets (excluding land and buildings). The effective rate of mark up charged during the year on Musharaka arrangements ranged from 10.09% to 15.40% (2018: 7.67% to 10.09%).

8.3.5 HBL Term Loan

This facility has been obtained from Habib Bank Limited, with a facility amount of Rs 3,000 million for the purpose of partially financing Ammonia Debottlenecking project.

The facility carries markup at the rate of 6 months KIBOR plus 1.25% per annum. The effective rate of markup charged during the year ranged from 11.97% to 14.70% (2018: 7.46% to 11.97%) per annum.

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

The loan is repayable in four years in eight half yearly installments. Last repayment is due on June 30, 2020. During the year the Company has paid installments amount aggregating to Rs 750 million (2018: Rs 750 million).

8.3.6 ABL Term Loan-I

This facility has been obtained from Allied Bank Limited, for an amount of Rs 1,000 million for the purchase of Aircraft from Pakarab Fertilizers Limited, an associated company.

The facility carries markup at the rate of 6 months KIBOR plus 0.75% per annum. The effective rate of markup charged during the year ranged from 10.68% to 14.30% (2018: 10.37% to 10.68%) per annum.

The facility is secured by pari passu charge over present and future plant and machinery of the Company amounting to Rs 1,334 million.

The loan is repayable in two and half years in five equal half yearly installments. Last repayment is due on November 24, 2020. During the year the Company has paid installments amounting to Rs 400 million (2018: Rs 200 million).

8.3.7 BAHL Term Loan

This facility has been obtained from Bank Al Habib Limited, for an amount of Rs 1,300 million for purchase of Low Pressure Boosting Compressor.

The facility carries markup at the rate of 6 months KIBOR plus 1.10% per annum. The effective rate of markup charged during the year is 11.90% to 14.23% (2018: 10.70%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Company amounting to Rs 1,733.34 million.

The loan is repayable in three years in six semi annual equal installments. Last repayment is due on April 29, 2022. During the year the Company has paid installments amounting to Rs 385.43 million (2018: Rs Nil).

8.3.8 BOP Term Loan

This facility has been obtained during the year from The Bank of Punjab, for an amount of Rs 3,000 million to finance / reimburse BMR incurred during the year.

The facility carries markup at the rate of 6 months KIBOR plus 0.70% per annum. The effective rate of markup charged during the year is 14.70% per annum.

The facility is secured by pari passu charge over plant and machinery of the Company amounting to Rs 4,000 million.

The loan is repayable in four years in eight semi annual equal installments starting from January 31, 2020. Last repayment is due on July 31, 2023.

8.3.9 ABL Term Loan-II

This facility has been obtained during the year from Allied Bank Limited, for an amount of Rs 1,000 million to finance the on going capital requirements of the Company.

The facility carries markup at the rate of 6 months KIBOR plus 0.70% per annum. The effective rate of markup charged during the year is 14.60% per annum.

The facility is secured by pari passu charge over plant and machinery of the Company amounting to Rs 1,334 million.

The loan is repayable in five years with one year grace period, in eight semi annual equal installments starting from March 25, 2021. Last repayment is due on September 25, 2024.

8.4 The aggregate unavailed long term financing facilities amount to Rs Nil (2018: Rs 143.718 Million).

	Note	2019	2018
		(Rupees in thousand)	
9 Deferred liabilities			
Deferred taxation	9.1	19,069,420	17,849,455
Employee retirement benefits	9.2	873,133	760,023
		19,942,553	18,609,478

		Note	2019	2018
			(Rupees in thousand)	
9.1	**Deferred taxation**			
	This is composed of the following:			
	Taxable temporary difference:			
	Accelerated tax depreciation		19,105,066	18,628,217
	Investment in associates		13,041	–
			19,118,107	18,628,217
	Deductible temporary difference:			
	Investment-Fair value through other comprehensive income (FVTOCI)		(2,071)	(1,703)
	Carry forward losses		–	(715,144)
	Remeasurement of defined benefit obligation		(46,616)	(61,915)
			(48,687)	(778,762)
			19,069,420	17,849,455
9.2	**Employee retirement benefits**			
	Gratuity	9.2.1	595,392	507,580
	Accumulating compensated absences	9.2.2	277,741	252,443
			873,133	760,023
9.2.1	**Gratuity**			
a)	**Amount recognized in the balance sheet**			
	Present value of defined benefit obligations	(f)	728,490	648,956
	Fair value of plan assets	(g)	(133,098)	(141,376)
	Net liability at the end of the year		595,392	507,580
b)	**Movement in liability**			
	Net liability at the beginning of the year		507,580	365,639
	Charge for the year	(c)	150,362	97,458
	Benefits paid during the year		(35,020)	(17,204)
	Contributions made during the year to the fund		–	(10,042)
	Remeasurement changes chargeable to other comprehensive income	(e)	(27,530)	71,729
	Net liability at the end of the year		595,392	507,580
c)	**Charge for the year**			
	Current service cost		80,835	67,132
	Liability transferred from associated company		5,349	2,232
	Interest cost		64,178	28,094
			150,362	97,458
d)	**Charge for the year has been allocated as follows:**			
	Cost of sales		120,260	75,839
	Administrative expenses		30,102	21,619
			150,362	97,458

		2019	2018
		(Rupees in thousand)	
e)	**Total remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Actuarial loss from changes in financial assumptions	(2,974)	1,039
	Experience adjustments	(18,108)	39,043
	Remeasurements of fair value of plan assets	(6,448)	31,647
		(27,530)	71,729
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	648,956	537,938
	Current service cost	80,835	67,132
	Interest cost	87,218	41,687
	Liability transferred from associated company	5,349	2,232
	Liability transferred from workers gratuity fund	3,977	2,199
	Benefits due but not paid	(9,023)	–
	Benefit paid during the year	(61,292)	(42,314)
	Remeasurement of plan obligation	(27,530)	40,082
	Defined benefit obligations at end of the year	728,490	648,956
g)	**Movement in the fair value of plan assets**		
	Fair value at beginning of the year	(141,376)	(172,299)
	Contributions made	(10,956)	(10,042)
	Interest income on planned assets	(16,992)	(13,593)
	Return on plan assets excluding interest income	(6,048)	31,647
	Assets transferred from workers gratuity fund	(3,977)	(2,199)
	Benefits due but not paid	9,023	–
	Benefits paid	37,228	25,110
	Fair value at end of the year	(133,098)	(141,376)
h)	**Plan assets comprise of:**		
	Deposit with banks	21,480	3,300
	Mutual funds	105,630	85,699
	Investment in TDR	15,011	52,377
	Payables	(9,023)	–
		133,098	141,376

		2019	2018
i)	**The principal assumptions used in the actuarial valuation are as follows: -**		
	Discount rate for interest cost	13.25%	8.0%
	Discount rate for year end obligation	11.25%	13.25%
	Salary increase used for year end obligation	11.25%	13.25%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	Increase in assumption	Decrease in assumption
		% age	(Rupees in thousand)	
j)	**Sensitivity analysis**			
	Discount rate	1%	(42,308)	62,552
	Salary growth rate	1%	73,895	(35,883)

k) The expected contribution to defined benefit obligation for the year ending December 31, 2020 will Rs 148.78 million.

		Note	2019	2018
			(Rupees in thousand)	
9.2.2	**Accumulating compensated absences**			
a)	**Amount recognized in the balance sheet**			
	Present value of defined benefit obligations	(e)	277,741	252,443
	Net liability at the end of the year		277,741	252,443
b)	**Movement in liability**			
	Net liability at the beginning of the year		252,443	225,895
	Charge for the year	(c)	45,488	39,685
	Benefits paid during the year		(20,190)	(13,137)
	Net liability at the end of the year		277,741	252,443
c)	**Charge for the year**			
	Current service cost		23,383	20,051
	Interest cost		31,962	17,657
	Experience adjustment		(9,857)	1,977
			45,488	39,685
d)	**Charge for the year has been allocated as follows:**			
	Cost of sales		36,221	31,431
	Administrative expenses		9,267	8,254
			45,488	39,685
e)	**Movement in the present value of obligation**			
	Obligation at beginning of the year		252,443	225,895
	Current service cost		23,383	20,051
	Interest cost		31,962	17,657
	Benefit paid during the year		(20,190)	(13,137)
	Experience adjustment		(9,857)	1,977
	Defined benefit obligations at end of the year		277,741	252,443

	2019	2018
f) The principal assumptions used in the actuarial valuation are as follows:		
Discount rate for interest cost	13.25%	8.00%
Discount rate for year end obligation	11.25%	13.25%
Salary increase used for year end obligation	11.25%	13.25%
Retirement assumption	60 years	60 years

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
	% age	(Rupees in thousand)	
g) Sensitivity analysis			
Discount rate	1%	(17,632)	17,603
Salary growth rate	1%	19,372	(19,485)

	Note	2019	2018
		(Rupees in thousand)	
10 Trade and other payables			
Creditors	10.1	13,962,496	8,049,367
Contract liabilities		5,643,834	5,215,577
Accrued liabilities		4,021,894	1,714,362
Withholding tax		119,269	74,504
Workers profit participation fund	10.2	2,261,421	1,509,316
Workers welfare fund	10.3	345,670	365,417
Retention money payable		58,013	50,694
Provident fund payable		13,451	14,887
Income Tax Payable		–	997,398
Others		57,811	77,726
		26,483,859	18,069,248

10.1 Creditors include Rs 5,821.901 million (2018: Rs 5,275.521 million) on account of Gas Infrastructure Development Cess (GIDC). The matter is subjudice in the Supreme Court of Pakistan.

	2019	2018
	(Rupees in thousand)	
10.2 Workers profit participation fund		
Balance as at January 01	1,509,316	2,107,309
Provision for the year	918,785	992,468
Payment made during the year	(166,680)	(1,590,461)
Balance as at December 31	2,261,421	1,509,316

	Note	2019	2018
		(Rupees in thousand)	
10.3 Workers welfare fund			
Balance as at January 01		365,417	189,272
Provision for the year		327,808	347,555
Reversal of provision during the year		(39,367)	(62,299)
Net Charge for the year		288,441	285,256
Payment made during the year		(308,188)	(109,111)
Balance as at December 31		345,670	365,417

11 Accrued finance cost

		2019	2018
On long term finances		390,100	204,238
On short term finances		446,643	102,015
		836,743	306,253

12 Short term finances

	Note	2019	2018
Secured loans from Banking companies			
Cash finance	12.1	6,903,801	1,159,272
Running finance	12.2	6,505,492	3,164,109
Finance against Imported Merchandise	12.3	2,855,690	1,171,421
		16,264,983	5,494,802

12.1 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods and by personal guarantees of sponsoring directors. The facilities carry markup ranging from 10.87% to 15.16% (2018: 6.81% to 9.87%) per annum.

12.2 These facilities have been obtained from various banks for working capital requirements, and are secured by pari passu charge of Rs 12,815.35 million (2018: Rs 11,815.35 million) on present and future current assets. The facilities carry markup ranging from 10.46% to 14.86% (2018: 5.78% to 11.40%) per annum.

12.3 These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 10.76% to 14.85% (2018: 7.28% to 11.71%) per annum.

12.4 The aggregate unavailed short term borrowing facilities amount to Rs 7,339.98 million (2018: Rs 12,950.34 million).

13 Contingencies and commitments

13.1 Contingencies

(i) Following the order passed by the honorable Lahore High Court (the Court), the Company has filed an 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. The rejection of the earlier application filed by the Company with FBR has been set aside and rendered unlawful and ultra vires by the court.

(ii) The Company has filed a reference before Lahore High Court against the order of Appellate Tribunal Inland Revenue (ATIR), which upheld the order passed by Deputy Commissioner Inland Revenue, Multan alleging that the Company has short paid sales tax by suppression of production. Total demand raised is Rs 628 million.

(iii) Additional Commissioner Inland Revenue, Multan (ACIR) has challenged the decision of Commissioner Inland Revenue (Appeals) before ATIR in which he annulled the order passed by Additional Commissioner Inland Revenue, Multan alleging that the Company has not paid Sales tax on retail price on supplies of CAN and NP. Total demand raised was Rs 88.5 million.

Earlier the case had been decided in favor of Company by ATIR against which Tax department filed a reference in Lahore High Court, which remanded it back to Additional Commissioner Inland Revenue, Multan, who again decided the case against Company.

(iv) Tax department has challenged the decision of Commissioner Inland Revenue (Appeals) before ATIR in which he annulled the order passed by the Deputy Commissioner Inland Revenue (DCIR), RTO Multan raising demand of Rs 301.67 Million after conducting Sales Tax audit for a period from July 2011 to June 2012.

(v) The Company has filed appeal with the Customs Appellate Tribunal, Lahore against the following three cases decided against the Company by the Collector of Customs (Adjudication), Faisalabad. Earlier these cases were remanded back to Collector of Customs (Adjudication), Faisalabad for re-hearing the case by the Customs Appellate Tribunal, Lahore:

- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million.

- Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.604 million.

- Alleged irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. The Company has filed an appeal before the Custom Appellate Tribunal, Lahore against the order passed by the Collector (Adjudication), Faisalabad in which he again raised a demand of Rs 495.900 million. Earlier the case had been remanded back to Collector of Customs (Adjudication), Faisalabad for rehearing by the Custom Appellate Tribunal, Lahore.

(vi) The Customs department has filed an appeal before the Lahore High Court against the Order passed by the Custom Appellate Tribunal which had annulled the order passed by the 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 was Rs 17.936 million.

(vii) Deciding on the appeal filed by the Company, the CIR(A) has annulled the order passed under section 122(5) of Income Tax Ordinance, 2001, by the Deputy Commissioner Inland Revenue (DCIR) Multan. DCIR had raised a demand of Rs 1,055 million against the Company by declaring the Company's trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for tax year 2011.

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

(ix) Deciding on the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) annulled the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990 (STA) in respect of case selected for audit u/s 25 of STA for the tax periods from July 2014 to June 2015. Total demand raised was Rs 131 million.

(x) The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the order passed by the Officer Inland Revenue, Multan under section 11 of Sales Tax Act, 1990. The assessing officer had raised a demand of Rs 501 million against the Company by allegedly charging sales tax on advances received from customers. The case has not yet been fixed for hearing as of date.

(xi) The Company has filed an appeal before the Commissioner (Appeals) against the order passed by the Deputy Commissioner Inland Revenues, Multan under section 72B of Sales Tax Act, 1990 for period July 2013 to June 2014 imposing tax liability of Rs 117 Million. The case has not yet been fixed for hearing as of date.

(xii) Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax was introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. The Company earlier filed two suits in the Honorable Sindh High Court challenging the levy of ACT for Tax years 2014 and 2015, on grounds that it deprived the Company of certain rights already accrued to it. However, the above suits have been withdrawn on the basis of jurisdiction and constitutional petitions filed before Lahore High Court which are pending for hearing.

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

		Note	2019	2018
			(Rupees in thousand)	
13.2	**Commitments**			
(i)	Contracts for capital expenditure		314,005	1,844,529
(ii)	Contracts for other than capital expenditure		592,687	861,137
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:			
	Not later than one year		316,401	273,053
	Later than one year but not later than five years		350,795	217,901
			667,196	490,954
14	**Property, plant and equipment**			
	Operating fixed assets	14.1	87,108,526	84,941,860
	Capital work in progress	14.2	13,612,134	6,776,845
			100,720,660	91,718,705

14.1 Operating fixed assets

2019

	Note	Cost			Accumulated Depreciation			Book value	Depreciation rate
		December 31, 2018	Additions / (deletions)	December 31, 2019	December 31, 2018	charge / (deletions)	December 31, 2019	December 31, 2019	
		(Rupees in thousand)							%
Freehold land	14.1.1	1,604,328	809,007	2,413,335	–	–	–	2,413,335	–
Building on freehold land		5,038,279	499,413	5,537,692	1,134,033	210,206	1,344,239	4,193,453	4
Building on leasehold land		30,445	–	30,445	2,030	3,044	5,074	25,371	10
Plant and machinery		87,058,762	2,142,511	89,201,273	10,619,032	1,772,292	12,391,324	76,809,949	4
Aircraft		1,567,285	–	1,567,285	52,243	78,364	130,607	1,436,678	10
Catalysts		2,633,153	314,497	2,947,650	1,891,537	423,392	2,314,929	632,721	10 - 33.33
Furniture and fixtures		104,143	3,370	107,513	58,652	8,702	67,354	40,159	10
Office equipment		66,811	6,140	72,879	30,694	4,980	35,649	37,230	10
			(72)			(25)			
Electrical installations and appliances		1,091,926	49,143	1,135,623	684,821	89,845	769,503	366,120	10
			(5,446)			(5,163)			
Computers		437,669	16,750	445,291	283,102	68,069	342,052	103,239	25
			(9,128)			(9,119)			
Vehicles		300,969	52,188	353,157	235,766	32,852	268,618	84,539	20
Right of use assets - plant and machinery		–	702,486	702,486	–	35,124	35,124	667,362	5
Right of use assets - building	14.1.2	–	366,100	366,100	–	67,730	67,730	298,370	13 - 50
		99,933,770	4,961,605	104,880,729	14,991,910	2,794,600	17,772,203	87,108,526	
			(14,646)			(14,307)			

2018

	Cost			Accumulated Depreciation			Book value	Depreciation rate
	December 31, 2017	Additions / (deletions)	December 31, 2018	December 31, 2017	charge / (deletions)	December 31, 2018	December 31, 2018	
	(Rupees in thousand)							%
Freehold land	1,604,328	–	1,604,328	–	–	–	1,604,328	–
Building on freehold land	4,943,045	95,234	5,038,279	934,928	199,105	1,134,033	3,904,246	4
Building on leasehold land	–	30,445	30,445	–	2,030	2,030	28,415	10
Plant and machinery	84,088,225	2,970,537	87,058,762	8,917,403	1,701,629	10,619,032	76,439,730	4
Aircraft	–	1,567,285	1,567,285	–	52,243	52,243	1,515,042	10
Catalysts	2,633,153	–	2,633,153	484,550	1,406,987	1,891,537	741,616	7.5 - 33.33
Furniture and fixtures	94,714	9,456	104,143	49,445	9,234	58,652	45,491	10
		(27)			(27)			
Office equipment	54,732	12,102	66,811	25,107	5,610	30,694	36,117	10 - 12.5
		(23)			(23)			
Electrical installations and appliances	1,034,719	57,207	1,091,926	583,733	101,088	684,821	407,105	10
Computers	331,068	112,917	437,669	224,769	64,649	283,102	154,567	25 - 33.33
		(6,316)			(6,316)			
Vehicles	266,846	37,301	300,969	204,774	34,144	235,766	65,203	20
		(3,178)			(3,152)			
	95,050,830	4,892,484	99,933,770	11,424,709	3,576,719	14,991,910	84,941,860	
		(9,544)			(9,518)			

14.1.1 Particulars of land in the name of the Company are as follows:

Descriptions	Location	Land Area
Free hold Land	Sadiqabad District Rahim Yar Khan	1,086 acres and 15 marlas
Free hold Land	Jahangirabad District Multan	103 kanals and 5 marlas
Free hold Land	Chichoki Mallian at Sheikhupura Road	222 acres

14.1.2 This includes right to use assets of Rs 356 million recognized on adoption of IFRS-16.

14.1.3 The total cash outflow for leases amounts to Rs 291 million.

	Note	2019	2018
		(Rupees in thousand)	
14.2 Capital work in progress			
Civil works		337,144	743,264
Plant and machinery		3,024,012	2,005,499
Capital stores		1,375,255	731,783
Advances			
- Freehold land		–	187,879
- Civil works		–	2,724
- Plant and machinery	14.2.1	8,875,723	3,105,696
		8,875,723	3,296,299
		13,612,134	6,776,845

14.2.1 Advances for Plant and Machinery include Rs 8,740 million (2018: Rs 2,250 million) paid to Pakarab Fertilizer Limited, an associated company, for purchase of its production and operating plants including Ammonia, Urea, Nitric Acid, Nitro Phosphate, Calcium Ammonium Nitrate and Clean Development Mechanism along with installed catalysts and any other related or ancillary equipments. The transaction was approved by the shareholders of the Company through special resolution in Extra Ordinary General Meeting held on November 19, 2018.

	2019	2018
	(Rupees in thousand)	
14.2.2 Movement of capital work in progress		
Opening balance	6,776,845	3,078,678
Addition during the year	8,542,921	6,457,762
	15,319,766	9,536,440
Less: Capitalization during the year	1,705,351	2,753,913
Provision for obsolescence for capital stores	2,281	5,682
Closing balance	13,612,134	6,776,845
14.3 The depreciation charge for the year has been allocated as follows:		
Cost of sales	2,579,760	3,441,065
Administrative expenses	209,860	132,263
Distribution cost	4,980	3,391
	2,794,600	3,576,719

14.4 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal
			(Rupees in thousand)			
Items having net book value below Rs 500,000						
Office equipment	72	25	47	48	1	Company policy
Electrical installations and appliances	5,446	5,163	283	1,133	850	Through tender
Computers	9,128	9,119	9	548	539	As per Company Policy to existing employees
2019	14,646	14,307	339	1,729	1,390	
2018	9,544	9,518	26	1,534	1,508	

15 Intangible assets

2019

	Cost			Accumulated Depreciation			Book value	Amortization
	December 31, 2018	Additions	December 31, 2019	December 31, 2018	charge / (deletions)	December 31, 2019	December 31, 2019	rate
				(Rupees in thousand)				%
Bubber Sher Brand	5,900,000	–	5,900,000	–	–	–	5,900,000	–
Computer software	172,653	22,365	195,018	93,906	27,564	121,470	73,548	25
	6,072,653	22,365	6,095,018	93,906	27,564	121,470	5,973,548	

2018

	Cost			Accumulated Depreciation			Book value	Amortization
	December 31, 2017	Additions	December 31, 2018	December 31, 2017	charge / (deletions)	December 31, 2018	December 31, 2018	rate
				(Rupees in thousand)				%
Bubber Sher Brand	5,900,000	–	5,900,000	–	–	–	5,900,000	–
Computer software	114,998	57,655	172,653	76,612	17,294	93,906	78,747	25
	6,014,998	57,655	6,072,653	76,612	17,294	93,906	5,978,747	

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

16 Investment property

2019

		Cost			Accumulated Depreciation			Book value	Amortization
	Note	December 31, 2018	Additions	December 31, 2019	December 31, 2018	charge / (deletions)	December 31, 2019	December 31, 2019	rate
					(Rupees in thousand)				%
Freehold land	16.1	–	605,000	605,000	–	–	–	605,000	–
Building		–	22,650	22,650	–	77	77	22,573	4
		–	627,650	627,650	–	77	77	627,573	

16.1 Freehold land consist of 8,003 Kanals situated in District Dera Ismail Khan, Khybar Pakhtunkhwa. The land is in possession and control of the Company and is currently under process of ownership transfer from the three Directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar.

16.2 The fair value of investment property is not significantly different from carrying amount, as this was purchased recently.

		Note	2019	2018
			(Rupees in thousand)	
17	**Long term investments**			
	Multan Real Estate Company (Pvt) Limited	17.1	85,806	85,806
	Fatima Electric Company Limited	17.2	140	140
	Fatima Agri Sales & Services (Pvt) Limited	17.3	88,900	59,856
	Singfert Pte. Limited	17.4	–	–
			174,846	145,802

17.1 This represents investment 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. The Registered office of MREC is located at Lahore, Pakistan.

17.2 This represents investment in 14,000 fully paid ordinary shares of Rs 10 each of Fatima Electric Company Limited (FECL).

The investment represents 40% of the total issued, subscribed and paid up share capital of FECL.

The main business of FECL is transmission, manufacture, supply, generation and distribution of electricity and all forms of energy and power. The Registered office of FECL is located at Lahore, Pakistan.

17.3 This represents investment in 196,000 (2018: 196,000) fully paid ordinary shares of Rs 10 each of Fatima Agri Sales & Services (Pvt) Limited (FASS). The investment represents 49% (2018: 49%) of the total issued, subscribed and paid up share capital of FASS.

The principal activity of FASS is to carry on business as a sellers, marketers, importers, exporters, wholesalers, retailers and dealers in all types of agri inputs including fertilizers, micronutrients, pesticides and insecticides, seeds, vaternity and live stock feeds and feeds supplements, fish feeds and its supplements. The Registered office of FASS is located at Lahore, Pakistan.

		2019	2018
		(Rupees in thousand)	
17.3.1	**Reconciliation of carrying amount**		
	Cost of investment	1,960	1,960
	Balance as at beginning of the year	59,856	–
	Investment made during the year	–	1,960
	Company's share of associate's post acquisition profits, net of dividends received	29,044	57,896
	Balance as at end of the year	88,900	59,856

17.4 This represents investment in 1 fully paid ordinary shares of SGD 1 each of Singfert Pte. Limited (Singfert) a company formed and registered in the Republic of Singapore. The investment represents 25% of the total issued, subscribed and paid up share capital of Singfert. No dividend has been paid by singfert during the year.

Singfert is a Special Purpose Vehicle (SPV) which will be used to route equity investment in Midwest Fertilizer Company (MFC), USA. MFC is setting up a nitrogen fertilizer project in the state of Indiana, USA.

17.5 The Company has recorded investments in associated companies at cost, except for investment in FASS, since the associated undertakings have not yet started their commercial operations and effect of adjustment of share of profit or loss of the investee is not expected to be material / significant to the overall financial statements of the Company.

		Note	2019	2018
			(Rupees in thousand)	
18	**Long term loan to associated company**			
	Opening balance		1,999,333	2,999,000
	Reclassification from current portion	18.1	999,667	–
			2,999,000	2,999,000
	Current portion		–	(999,667)
			2,999,000	1,999,333

18.1 This represents loan of Rs 3,000 million approved in the Extra Ordinary General Meeting of the Company held on December 23, 2016 in favour of Pakarab Fertilizers Limited, an associated company. As per the terms of the agreement, the loan was receivable in 5 years period with two and a half years as grace period. However in 16th Annual general meeting held on 30th April 2019 it was resolved that grace and repayment period is extended for further 3 years. The loan is receivable in 6 semiannual equal installments. Interest is to be settled semi annually. The maximum amount of loan outstanding during the year was Rs 2,999 million.

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 12.91% to 15.60% (2018: 8.33% to 12.91%).

The loan is fully secured against ranking charge on all present and future fixed assets of associated company excluding immovable property i.e. land and buildings and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

		2019	2018
		(Rupees in thousand)	
19	**Stores and spares**		
	Stores	406,839	321,418
	Spares	4,766,262	4,471,046
	Catalyst and chemicals	2,540,355	1,041,361
		7,713,456	5,833,825
20	**Stock in trade**		
	Raw material {including in transit Rs 1,508.16 million (2018: Rs 14.831 million)}	4,778,788	1,474,847
	Packing material	91,502	4,726
	Mid Products		
	Ammonia	181,244	195,876
	Nitric Acid	22,152	17,740
	Others	441	424
		203,837	214,040
	Finished goods		
	- Own manufactured		
	Urea	2,332,970	847,362
	NP	301,575	2,004,330
	CAN	132,649	577,154
	Emission reductions	84,286	86,085
		2,851,480	3,514,931
	- Purchased for resale		
	DAP	3,592,304	891,427
		11,517,911	6,099,971

		Note	2019	2018
			(Rupees in thousand)	
21	**Trade debts**			
	Secured against bank guarantees		7,161,323	2,524,719
	Unsecured - considered good	21.1	45,647	39,805
			7,206,970	2,564,524

21.1 There is no past due debt at year end.

		Note	2019	2018
22	**Short term loans**			
	Reliance Commodities (Pvt) Limited	22.1	1,241,723	1,241,723
	Pakarab Fertilizers Limited	22.2	2,000,000	2,000,000
			3,241,723	3,241,723

22.1 This represents loan given to Reliance Commodities (Pvt) Limited, against approved limit of Rs 1,250 million. The loan is repayable within 30 business days' notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 11.10% to 16.02% (2018: 8.28% to 11.10%). The loan is fully secured against a ranking charge over the present and future current assets of the associated company. The maximum amount of loan outstanding during the year was Rs 1,241.72 million.

22.2 This represents loan against aggregate approved facility of Rs 2,000 million provided to associated company Pakarab Fertilizers Limited to support functionality and business requirements. The loan is repayable within 30 business days notice of demand. The loan is fully secured against a ranking charge over the present and future current assets of the associated company. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year was 11.73% to 15.46% (2018: 8.63% to 11.73%). The maximum amount of loan outstanding during the year was Rs 2,000 million.

		Note	2019	2018
			(Rupees in thousand)	
23	**Advances, deposits, prepayments and other receivables**			
	Advances - considered good			
	- to employees		23,827	18,748
	- to suppliers	23.1	3,109,511	390,651
			3,133,338	409,399
	Margin deposits held by banks		37,726	75,116
	Prepayments		61,053	334,981
	Advance income tax		1,969,160	845,345
	Receivable from Government of Pakistan			
	- Advance sales tax paid		5,771,049	3,770,625
	- Subsidy receivable		1,838,075	1,838,075
			7,609,124	5,608,700
	Advance sales tax on receipts		84,443	82,372
	Markup receivable		415,635	234,885
	Current portion of long term loan to associated company	18	–	999,667
	Others		503,503	439,669
			13,813,982	9,030,134

23.1 Includes amounting to Rs 2,004.83 million (2018: Nil) as advance to Pakarab Fertilizers Limited, an associated company for purchase of stores and spares.

	Note	2019	2018
		(Rupees in thousand)	
24 Short term investments			
Investment - FVTPL		337,557	429,346
Investment - Available for sale	24.1	–	193,927
Investment - FVTOCI	24.1	192,577	–
		530,134	623,273

24.1 Profits rates on these term finance certificates ranging from 8.55% to 14.58% per annum (2018: 6.65% to 8.55% per annum).

	Note	2019	2018
		(Rupees in thousand)	
25 Cash and bank balances			
At banks			
- saving accounts	25.1	244,833	189,152
- current accounts		267,087	526,161
Cash in hand		2,819	2,118
		514,739	717,431

25.1 The balances in saving accounts carry markup ranging from 8.00% to 12.50% (2018: 3.75% to 9.00%) per annum.

	Note	2019	2018
		(Rupees in thousand)	
26 Sales			
Revenue from contracts with customers	26.1	74,964,214	51,039,577
Other revenue	26.2	–	270,417
		74,964,214	51,309,994
26.1 Revenue from contracts with customers			
Local sales	26.1.1	74,828,910	49,569,418
Export sales	26.1.2	135,304	1,470,159
		74,964,214	51,039,577
26.1.1 Local sales			
Fertilizer products			
- own manufactured		69,575,656	50,278,094
- purchased for resale		7,440,818	1,697,922
Mid products		787,283	473,998
		77,803,757	52,450,014
Less: Sales tax		1,626,593	2,269,002
Discounts		1,348,254	611,594
		74,828,910	49,569,418

	Note	2019	2018
		(Rupees in thousand)	
26.1.2 Export sales			
Fertilizer products		–	1,470,159
Certified emission reductions		135,304	–
		135,304	1,470,159
26.2 Other revenue			
Subsidy from Government of Pakistan		–	270,417
		–	270,417

27 Cost of sales

	Note	2019	2018
Raw material consumed		21,761,494	10,004,752
Packing material consumed		1,263,067	1,108,826
Salaries, wages and other benefits	27.1	3,463,260	3,173,841
Fuel and power		6,626,496	4,217,109
Chemicals and catalyst consumed		823,422	651,134
Stores and spares consumed		1,311,703	1,016,767
Technical assistance		117,169	40,032
Repair and maintenance		1,166,483	1,078,195
Insurance		286,195	220,114
Travelling and conveyance		192,510	156,765
Rent, rates and taxes		134,693	108,843
Vehicle running and maintenance		99,866	74,736
Depreciation	14.3	2,579,760	3,441,065
Others		143,208	89,013
Manufacturing cost		39,969,326	25,381,192
Opening stock of mid products		214,040	80,380
Closing stock of mid products		(203,837)	(214,040)
Cost of goods manufactured		39,979,529	25,247,532
Opening stock of finished goods		3,514,931	2,451,009
Closing stock of finished goods		(2,851,480)	(3,514,931)
Cost of sales - own manufactured		40,642,980	24,183,610
Cost of sales - purchased for resale		6,422,351	1,455,765
		47,065,331	25,639,375

27.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 235.87 million (2018: Rs 171.66 million).

		Note	2019	2018
			(Rupees in thousand)	
28	**Distribution cost**			
	Salaries, wages and other benefits		163,367	178,979
	Fee for services	28.1	843,806	714,639
	Rent, rates and taxes	28.2	190,740	244,648
	Advertisement and sales promotion		350,000	352,097
	Transportation and freight		2,185,592	2,119,135
	Technical services to farmers		23,370	17,642
	Others		43,189	57,546
			3,800,064	3,684,686

28.1 The company has outsourced its marketing and distribution function. The amount represents fee for marketing and distribution services charged by an associated company - Fatima Agri Sales and Services (Pvt) Limited.

28.2 This includes rental paid for short term leases (less than one year) amounting to Rs 190.14 million.

		Note	2019	2018
			(Rupees in thousand)	
29	**Administrative expenses**			
	Salaries, wages and other benefits	29.1	1,077,054	844,990
	Travelling and conveyance		183,113	98,324
	Vehicles' running and maintenance		40,335	26,599
	Insurance		18,137	5,836
	Communication and postage		41,901	30,072
	Printing and stationery		10,503	17,003
	Repair and maintenance		37,974	23,230
	Rent, rates and taxes	29.2	49,596	82,900
	Fees and subscription		70,833	37,015
	Entertainment		16,069	15,197
	Legal and professional	29.3	107,987	55,683
	Utilities		34,457	16,637
	Aircraft operating expenses		183,673	77,406
	Depreciation	14.3	209,860	132,263
	Depreciation on investment property at cost		77	–
	Amortization		27,564	17,294
	Charity and donation	29.4	563,142	769,863
	Others		106,452	66,653
			2,778,727	2,316,965

29.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 71.36 million (2018: Rs 52.64 million).

29.2 This includes rental paid for low value leases amounting to Rs 7.42 million.

		Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
29.3	**This includes auditors' remuneration as follows:**			
	Annual audit fee		3,978	3,950
	Half yearly review fee		583	575
	Others	29.3.1	2,081	2,165
	Out of pocket expenses		737	707
			7,379	7,397

29.3.1 Others include special audit fee of Rs 1.815 million.

29.4 Donations

29.4.1 Donations paid to Mian Mukhtar A. Sheikh Trust (the Trust) exceeds 10% of the company's total amount of donation.

29.4.2 Donations include the following donees in which certain directors are interested:

Name of directors	Interest in donee	Name of donees	2019 (Rupees in thousand)	2018 (Rupees in thousand)
Mr. Fawad Ahmed Mukhtar Mr. Faisal Ahmed Mukhtar Mr. Fazal Ahmed Sheikh	Trustees	Mian Mukhtar A. Sheikh Trust	486,000	592,000
Mr. Fawad Ahmed Mukhtar	Member of the Board of Governors of National Management Foundation (NMF) the sponsoring body of LUMS.	Lahore University of Management Sciences (LUMS)	9,500	40,400

		2019 (Rupees in thousand)	2018 (Rupees in thousand)
30	**Finance cost**		
	Markup on long term finances	1,851,123	1,469,132
	Markup on short term finances	1,488,591	235,153
	Interest on leased assets	72,086	–
	Bank charges and others	349,109	118,617
		3,760,909	1,822,902
31	**Other operating expenses**		
	Workers' Profit Participation Fund	918,785	992,468
	Workers' Welfare Fund	288,441	285,256
	Loss on remeasurement of investment classified as fair value through profit or loss	–	41,870
	Exchange loss - net	273,240	388,475
		1,480,466	1,708,069

	2019	2018
	(Rupees in thousand)	

32 Other income

	2019	2018
Income from financial assets		
Profit on loan to related parties	853,640	490,463
Gain on re-measurement of investment classified as fair value through profit or loss	64,641	–
Profit on short term investments and saving accounts	52,056	29,464
Dividend income	28,660	–
Income from assets other than financial assets		
Rental income	8,400	14,400
Scrap sales	7,721	42,215
Gain on disposal of property plant and equipment	1,390	1,508
Others	73,241	25,051
	1,089,749	603,101

33 Taxation

	2019	2018
Current	4,513,688	5,414,392
Prior year	(101,548)	–
Deferred	711,331	(537,638)
	5,123,471	4,876,754

33.1 Assessments for Tax Years upto 2019 (Financial Year ended December 31, 2018) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

	2019	2018
	%	
33.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	29.00	29.00
Tax effect of:		
Income exempt from income tax or taxed at lower rate	(0.23)	(1.32)
Prior year Adjustment	(0.17)	–
Change in tax rate	–	(2.75)
Effect of super tax	–	1.84
Others	1.20	2.28
	0.80	0.05
Average effective tax rate charged to statement of profit or loss	29.80	29.05

34 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 have been disclosed in the relevant notes to the financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

		2019	2018
		(Rupees in thousand)	
Relationship with the Company	**Nature of transaction**		
Associated companies	Short term loan provided	–	2,000,000
	Purchase of Aircraft and related accessories	–	1,599,997
	Sale of product	90,366	17,909
	Lease Rentals	1,125	56
	Purchase of raw / packing material	3,361,831	1,249,922
	Purchase of chemicals and catalysts	1,177,829	–
	Other income	853,624	490,463
	Stores and spares	314	22,218
	Purchase of product	24,968	–
	Purchase of Immovable property	355,472	–
	Fee for services	968,062	721,462
	Miscellaneous expenses	24,714	207,060
	Dividend paid	1,621,269	2,083,139
Key management personnel	Remuneration	268,051	278,666
	Dividend paid	550,139	690,236
Retirement benefit plans	Retirement benefit expense	307,235	223,004

34.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

Name	**Basis of Relationship**	**Aggregate % of shareholding in the Company**
Pakarab Fertilizer Limited	Common directorship	Nil
Reliance Commodities (Pvt) Limited	Common directorship	Nil
Fatima Agri Sales & Services (Pvt) Limited	Associated company	Nil
Fatima Packaging Limited (Formerly Reliance Sacks Limited)	Common directorship	Nil
Arif Habib Corporation Limited	Common directorship	15.19
Fatima Holding Limited	Common directorship	3.00
Fatima Trade Company Limited	Common directorship	7.64
Fatima Management Company Limited	Common directorship	7.64
Fatima Trading Company (Pvt) Limited	Common directorship	4.64
Fazal Cloth Mills Limited	Common directorship	3.29
Reliance Weaving Mills Limited	Common directorship	0.13
Arif Habib Equity (Pvt) Limited	Common directorship	0.92

34.2 The Company considers Chief Executive Officer, Executive Director and Functional Heads as its key management personnel.

			2019	2018
35	**Earnings per share - basic and diluted**			
	Profit attributable to ordinary shareholders	(Rupees in thousand)	12,069,682	11,913,555
	Weighted average number of shares	(Number of shares)	2,100,000,000	2,100,000,000
	Basic and diluted earnings per share	(Rupees)	5.75	5.67

		Note	2019	2018
			Metric ton	
36	**Capacity and Production**			
	Urea			
	Designed production capacity		945,500	945,500
	Actual production	36.1	822,656	607,772
	CAN			
	Designed production capacity		420,000	420,000
	Actual production	36.1	403,444	474,968
	NP			
	Designed production capacity		360,000	360,000
	Actual production		407,511	429,250

36.1 Sadiqabad Plant remained down for 23 days for planned maintenance (Turnaround). Sheikhupura Plant remained operational as per availability of Natural Gas (RLNG).

37 Remuneration of Directors and Management Personnel

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

	Chief Executive		Executive Director		Executives	
	2019	2018	2019	2018	2019	2018
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	19,071	17,357	18,042	16,934	581,310	493,887
Housing	8,582	7,811	8,119	7,620	244,758	205,544
Utilities	–	–	–	–	52,403	50,158
Conveyance allowance and site allowance	–	–	–	–	135,408	112,008
LFA & bonus	8,276	8,276	8,276	8,276	287,658	246,314
Others	3,773	2,932	69	73	26,057	23,421
	39,702	36,376	34,506	32,903	1,327,594	1,131,332
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	125,347	92,784
Accumulating compensated absences	–	–	–	–	22,477	19,966
	39,702	36,376	34,506	32,903	1,475,418	1,244,082
Number of persons	1	1	1	1	215	190

37.1 Non-Executive Directors were paid meeting fee aggregate amount is Rs 2.85 million.

37.2 The Company also provides the Chief Executive, Executive Director and some of the Executives with Company maintained cars.

38 Financial risk management

38.1 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 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:

	2019	2018
	(FCY in thousand)	
Cash at banks – USD	400	409
Trade and other payables – USD	(1,547)	(2,013)
Export Credit Agency Finance – USD	(6,286)	(10,476)
Net exposure – USD	(7,433)	(12,080)
Cash at banks – EUR	3	1,223
Trade and other payables – EUR	(558)	(604)
Net exposure – EUR	(555)	619

The following significant exchange rates were applied during the year:

	2019	2018
Rupees per USD		
Average rate	147.23	124.81
Reporting date rate	155.35	139.10
Rupees per EUR		
Average rate	166.58	145.57
Reporting date rate	174.05	159.10

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 44.42 million (2018: Rs 56.19 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.

Fair value sensitivity analysis - Investment through Profit or loss

In case of 5% change in KSE 100 index on December 31, 2019, with all other variables held constant, net profit for the period would increase / decrease by Rs 11.98 million as a result of gains / losses on equity securities classified as at fair value through profit or loss.

(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 have 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.

Interest rate sensitivity analysis - Investment available for sale

In case of 5% change in fair value of TFC's on December 31, 2019, with all other variables held constant, net profit for the period would increase / decrease by Rs 6.84 million as a result of gains / losses on TFC's classified as available for sale.

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

	2019	2018
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	244,833	189,152
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,999,000
Short term loan to associated company	3,241,723	3,241,723
Short term investment	192,577	193,927
Financial liabilities		
Long term finance	12,478,721	16,007,520
Short term finances - secured	16,264,983	5,494,802

Fair value sensitivity analysis for fixed rate instruments

The Company do 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 statement of profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on net finance 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 158.404 million (2018: Rs 160.075 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 loans, advances, deposits, prepayments 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:

	2019	2018
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term deposits	81,762	254,820
Short term loan to associated companies	3,241,723	3,241,723
Advances, deposits and other receivables	956,864	1,749,335
Trade debts	7,206,970	2,564,524
Bank balances	511,920	715,313
	14,998,239	11,524,715

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			2019	2018
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AAA	PACRA	28	–
Askari Bank Limited	A1+	AA+	PACRA	2,150	2,150
Bank Alfalah Limited	A1+	AA+	PACRA	7,323	79,378
BankIslami Pakistan Limited	A1	A+	PACRA	3	1
Bank AL Habib Limited	A1+	AA+	PACRA	68,030	22,856
Citibank N.A	P-1	A1	Moody's	44	43
Faysal Bank Limited	A1+	AA	PACRA	16	6
Habib Bank Limited	A-1+	AAA	JCR-VIS	85,598	102,186
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	60,796	248,500
Industrial and Commercial Bank of China	A	A1	Moody's	17,918	–
JS Bank Limited	A1+	AA-	PACRA	393	–
MCB Bank Limited	A1+	AAA	PACRA	3,369	1,438
Meezan Bank Limited	A-1+	AA+	JCR-VIS	314	16
National Bank of Pakistan	A-1+	AAA	JCR-VIS	7,038	972
Soneri Bank Limited	A1+	AA-	PACRA	10	10
Summit Bank Limited	A-1	A-	JCR-VIS	48,526	79,806
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	209,554	177,715
Sindh Bank Limited	A-1	A+	JCR-VIS	27	26
The Bank of Punjab	A1+	AA	PACRA	326	123
United Bank Limited	A-1+	AAA	JCR-VIS	457	87

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, 2019 the Company has Rs 7,339.98 million (2018: Rs 13,094.058 million) unutilized borrowing limits from financial institutions and Rs 514.739 million (2018: Rs 717.431 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2019:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	12,478,721	6,225,085	6,253,636	–
Future interest payments	2,810,069	847,576	1,962,493	–
Lease liabilities	849,931	571,301	278,630	–
Short term finance - secured	16,264,983	16,264,983	–	–
Trade and other payables	26,483,859	26,483,859	–	–
Unclaimed dividend	189,950	189,950	–	–
Long term deposits	61,267	61,267	–	–
Accrued finance cost	836,743	836,743	–	–
	59,975,523	51,480,764	8,494,759	–

The following are the contractual maturities of financial liabilities as at December 31, 2018:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	16,007,520	7,630,942	8,376,578	–
Short term finance - secured	5,494,802	5,494,802	–	–
Trade and other payables	10,998,194	10,998,194	–	–
Unclaimed dividend	68,832	68,832	–	–
Long term deposits	57,183	57,183	–	–
Accrued finance cost	306,253	306,253	–	–
	32,932,784	24,556,206	8,376,578	–

38.2 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.

Fair value hierarchy

The company is required to classify financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

Investment of the Company carried at fair value are categorised as follows:

	December 31, 2019			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Investment - FVTPL	337,557	–	–	337,557
Investment - FVTOCI	192,577	–	–	192,577
Investment property *	–	627,573	–	627,573
Total Assets at fair value	530,134	627,573	–	1,157,707

* This is for disclosure purpose only.

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

38.3 Financial instruments by categories

	2019			2018		
	Loan and receivables	Fair value Through P & L	Available for sale	Loan and receivables	Fair value Through P & L	Available for sale
	(Rupees in thousand)					
Financial assets as per balance sheet						
Long term loan to associated company	2,999,000	–	–	2,999,000	–	–
Long term deposits	81,763	–	–	254,820	–	–
Short term loan to associated companies	3,241,723	–	–	3,241,723	–	–
Advances, deposits and prepayments	956,864	–	–	2,195,557	–	–
Trade debts	7,206,970	–	–	2,564,524	–	–
Short term investment	–	337,557	192,577	–	429,346	193,927
Cash and bank balances	514,739	–	–	717,430	–	–
	15,001,059	337,557	192,577	11,973,054	429,346	193,927

Financial liabilities as per balance sheet - at amortized cost (previously other financial liabilities)

	2019	2018
	(Rupees in thousand)	
Long term finance	12,478,721	16,007,520
Short term finance - secured	16,264,983	5,494,802
Trade and other payables	26,483,859	10,998,194
Accrued finance cost	836,743	306,253
	56,064,306	32,806,769

38.4 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.

		Note	2019	2018
			(Rupees in thousand)	
39	**Cash generated from operations**			
	Profit before tax		17,193,153	16,790,309
	Adjustments for:			
	Depreciation on property, plant and equipment	14	2,794,600	3,576,719
	Depreciation on investment property at cost	16	77	–
	Amortization of intangible assets	15	27,564	17,294
	Finance cost	30	3,760,909	1,822,902
	Provision for staff retirement benefits	9.2	195,850	140,865
	Exchange loss on translation of foreign currency loan	8.1	156,222	355,289
	(Gain) / loss on remeasurement of investment - through profit or loss	32	(64,641)	41,870
	Provision for slow moving stores and spares		8,938	21,614
	Profit on loan to related parties	32	(853,640)	(490,463)
	Share of profit from Associate		(24,687)	(49,211)
	Profit on saving accounts	32	(52,056)	(29,464)
	Gain on disposal of property plant and equipment	14.4	(1,390)	(1,508)
			5,947,746	5,405,907
	Operating cash flows before working capital changes		23,140,899	22,196,216
	Effect on cash flow due to working capital changes:			
	Increase in current assets:			
	Stores and spares		(1,888,569)	(285,234)
	Stock in trade		(5,417,940)	(1,892,215)
	Trade debts		(4,642,446)	(633,892)
	Loans, advances, deposits, prepayments and other receivables		(4,478,950)	(614,146)
	Increase in creditors, accrued and other liabilities		9,720,197	3,341,462
			(6,707,708)	(84,025)
			16,433,191	22,112,191
40	**Provident fund**			
	The following information is based on latest unaudited financial statements of the Fund:			
	Size of the fund		1,518,474	1,375,791
	Cost of investment made		1,381,626	1,279,379
	Fair value of investment made		1,424,532	1,287,811
	Percentage of investments made		91	93

40.1 The break up of fair value of investments is as follows:

	2019		2018	
	Investments	% age	Investments	% age
	(Rupees in thousand)			
Mutual Funds	467,845	33	807,591	63
Scheduled Banks	954,627	67	477,130	37
Redeemable Capital	2,060	0	3,090	0
	1,424,532	100	1,287,811	100

40.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the rules formulated for this purpose.

	2019	2018
	(No of employees)	

41 Number of employees

Average number of employees during the year	2,389	2,321
Number of employees at end of the year	2,400	2,378

42 Shariah compliance disclosure

	2019		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
Finance cost			
Long term loans	855,385	995,738	1,851,123
Short term borrowings	1,364,564	124,027	1,488,591
Lease liabilities	72,086	–	72,086
Liabilities			
Long term loans	6,715,054	5,763,667	12,478,721
Short term borrowings	15,637,604	627,379	16,264,983
Accrued Markup			
Long term loans	271,575	118,525	390,100
Short term borrowings	401,530	45,113	446,643
Finance income			
Long term loan	422,718	–	422,718
Short term loan	430,922	–	430,922
Banks	27,757	2	27,759
Term finance certificates	24,297	–	24,297
Cash at bank	510,052	1,868	511,920

	2018		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
Finance cost			
Long term loans	548,496	920,636	1,469,132
Short term borrowings	202,887	32,266	235,153
Liabilities			
Long term loans	6,580,187	9,427,333	16,007,520
Short term borrowings	4,569,373	925,429	5,494,802
Accrued Markup			
Long term loans	59,282	144,956	204,238
Short term borrowings	83,336	18,679	102,015
Cash at bank	707,989	7,324	715,313

43 Non adjusting events after the balance sheet date

43.1 Dividend

The Board of Directors of the Company in its Meeting held on June 01, 2020 proposed a final dividend of Rs 2.00 (2018: Rs 1.75) per share for the year ended December 31, 2019, amounting to Rs 4,200 million (2018: Rs 3,675 million) for approval of the members at the Annual General Meeting to be held on June 29, 2020.

43.2 COVID-19 impact assessment

The World Health Organization declared Corona Virus (COVID-19) as public health emergency on January 30, 2020 and a pandemic on March 11, 2020. COVID-19 has spread throughout the country and measures are taken by the Government of Pakistan to reduce the spread of the COVID-19 that includes lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. However, manufacturing, transportation, distribution and selling of Seeds, Fertilizers and Pesticides, being essential commodities, have been permitted by the Government. Consequently, the Company's plant located at Mukthar Garh, Sadiqabad has continued to operate and sale of products are being made.

With the growing number of cases in Pakistan and overall uncertain situation about the impacts and potential additional initiatives by authorities and further duration for which such a situation will continue, the overall impact on the entity's financial statements cannot be predicted with reasonable certainty. The management continues to monitor the developing situation and would proactively manage risk arising thereof, if any.

44 Date of Authorization of Issue

These financial statements have been authorized for issue on June 01, 2020 by the Board of Directors of the Company.

45 General

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

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

STATEMENT UNDER SECTION
166(3) of the Companies Act, 2017

Item 4 of the Agenda:

Section 166 of the Companies Act 2017 requires that a statement of material facts is annexed to the notice of the general meeting called for the purpose of election of directors which shall indicate the justification for choosing the appointee for appointment as independent director.

The Company shall ensure that the independents are elected in accordance with the procedures for election of directors laid down in Section 159 of the Companies Act 2017. After the contestants file their notice / intention to stand for elections, the Company shall apply following criteria for choosing the appointee for appointment as independent director:

i) Inclusion of name of independent directors in the data bank maintained by Pakistan Institute of Corporate Governance (PICG) duly authorized by SECP.

ii) Respective competencies, diversity, skill, knowledge and experience of the election contestants shall be assessed.

iii) The company shall exercise due diligence before selecting a person from the data bank that the contestant meets the independence criteria as mentioned in Section 166(2) of the Companies Act, 2017.

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Item 6 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

Directors

1) Mr. Fawad Ahmed Mukhtar

2) Mr. Fazal Ahmed Sheikh

3) Mr. Faisal Ahmed Mukhtar

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

The information required under S.R.O 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a) Disclosure for all types of Investments		
(A) Disclosure regarding associated company		
(i)	Name of associated company or associated undertaking	Reliance Commodities (Pvt) Limited (RCL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(iii)	Earnings per share for the last three years	PKR 23.32 for year 2017 PKR 9.67 for year 2018 PKR 26.05 for year 2019
(iv)	Break-up value per share, based on latest audited financial statements	PKR 267.31
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the un-audited Financial Statements for the period ended December 31, 2019 PKR in Million Authorized Capital 100 Paid up capital and reserves 1,830 Surplus on revaluation of property, plant and equipment 377 Non-Current Liabilities 3.100 Current Liabilities 5,905 Current Assets 7,471 Non-Current Assets 645 Revenue 2,514 Gross Profit 277 Finance Cost 227 Profit After Tax 67

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(A) Disclosure regarding associated company		
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable
(B) General Disclosures		
(i)	Maximum amount of investment to be made	Loan Investment up to PKR 1,250 Million already made.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To continue investment of Company's funds at attractive rate of markup for further period of one year.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Already given/Own sources of the Company.
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement: 1. The parties agree to extend the repayment period of the Running Finance Facility to be repaid within 30 days of the notice of demand for further period of one year. 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% per annum 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 current assets of investee company is to be vacated.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: Directors 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Loan of an aggregate amount of up to PKR 1,250 million in the nature of renewable running finance facility has already been granted to RCL. It is being charged at the markup rate of 6M KIBOR + 2.12 but not less than the borrowing cost of Fatima and to be repaid within 30 days of the notice of demand. The Company is now seeking approval for renewal of this running finance facility for further period of one year. There is no impairment or write offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b) Additional Disclosures regarding Loan Investment		
(i)	Category-wise amount of investment	Loan Investment up to PKR 1,250 Million already made.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 12.520%.

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(b) Additional Disclosures regarding Loan Investment		
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2.12% per annum but not less than the borrowing cost of Fatima.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan was previously obtained in the form of a charge over present and future currents assets. This charge shall be vacated on the repayment of the entirety of the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	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.

Item 7 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship 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

Relative

1) Mrs. Ambreen Fawad

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

The information required under S.R.O. 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a) Disclosure for all types of Investments		
(A) Disclosure regarding associated company		
(i)	Name of associated company or associated undertaking	Pakarab Fertilizers Limited (PFL)
(ii)	Basis of relationship	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
(iii)	Earnings per share for the last three years	PKR (4.28) for year 2016 PKR (8.76) for year 2017 PKR (18.25) for year 2018
(iv)	Break-up value per share, based on latest audited financial statements	PKR 11.40

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(A) Disclosure regarding associated company		
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the unaudited Financial Statements for the period ended September 30, 2019 PKR in Billion Authorized Capital 10.0 Paid up capital and reserves 10.7 Surplus on revaluation of operating fixed assets 9.8 Non-Current Liabilities 6.5 Current Liabilities 33.3 Current Assets 16.6 Non-Current Assets 21.4 Revenue 5.9 Gross Loss 0.12 Finance Cost 2.4 Loss After Tax 1.78
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable
(B) General Disclosures		
(i)	Maximum amount of investment to be made	Loan Investment up to PKR 2,000 Million already made.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of associated undertaking and to continue investment of Company's funds at attractive rate of markup for further period of one year.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Already given/Own sources of the Company.
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement: 1. The parties agree to extend the repayment period of the Running Finance Facility to be repaid within 30 days of the notice of demand for further period of one year. 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% per annum 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 current assets of investee company is to be vacated

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(B) General Disclosures		
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated 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 relative of the director is also the shareholder of the investee company, however, the directors/ relative have no direct or indirect interest except to the extent of shareholding/directorship 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 Relative 1) Mrs. Ambreen Fawad
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Long term loan of an aggregate amount of up to PKR 3.00 billion is already given to PFL. It is being charged at the markup rate of 6M KIBOR + 2.12% per annum but not less than the borrowing cost of Fatima. There is no impairment or write offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b) Additional Disclosures regarding Loan Investment		
(i)	Category-wise amount of investment	Loan investment up to PKR 2,000 million already made.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 12.520%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2.12% per annum but not less than the borrowing cost of Fatima.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan was previously obtained in the form of a charge over current assets of the investee company. This charge shall be vacated on the repayment of the entirety of the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	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.

Item 8 of the Agenda:

The transactions carried out with associated companies/related parties have been approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to provisions of applicable laws. However, the majority of Company Directors were interested in related party transactions with Pakarab Fertilizers Limited and Fatima Packaging Limited due to their common directorship and holding of shares in the associated companies, the Board has recommended the same for placement before the shareholders of the Company in general meeting for ratification/approval.

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in Code of Corporate Governance for such transactions.

Pursuant to above, these transactions have to be approved/ratified by the shareholders in the General Meeting.

The directors and their relatives have no direct or indirect interest in the aforesaid except to the extent of their shareholding/common directorship with related parties.

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Item 9 of the Agenda:

Due to composition of Board of Directors of the Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. Therefore the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties, triggering approval of shareholders under section 207 and / or 208 of the Companies Act, 2017, for the year ending December 31, 2020, which transactions shall be deemed to be approved by the shareholders. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis.

Transactions intended to be carried out by the Company include, but are not limited to, sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/raw material and purchase of packaging material with the following related parties but are not limited to:

Company Name and Nature of Relationship

1. Pakarab Fertilizers Limited - Associated company
2. Fatima Packaging Limited - Wholly owned subsidiary of Pakarab Fertilizers Limited (an associated company)

The shareholders should note that it is not possible for the Company or the directors to accurately predict the nature of related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad/ prior approval of the shareholders that the Board may cause the Company to enter into related party transactions in its discretion and in accordance with policy of the Company. Such transactions shall be presented in the next annual general meeting of shareholders for their formal approval/ratification.

The following directors of the Company are also the directors in PFL and the following relative of the director is also the shareholder of PFL, however, the directors/relative have no direct or indirect interest except to the extent of their shareholding/directorship in PFL:

Directors	**Relative**
1) Mr. Arif Habib	
2) Mr. Fawad Ahmed Mukhtar	1) Mrs. Ambreen Fawad
3) Mr. Fazal Ahmed Sheikh	
4) Mr. Faisal Ahmed Mukhtar	
5) Mr. Muhammad Kashif Habib	

The Directors are interested in the resolution only to the extent of their shareholding and / or common directorships in such related parties.

Item 10 of the Agenda:

In view of the requirements of Section 153 and 166 of the Act, an independent director shall be a member. Therefore, the requirements of being member shall be fulfilled by such independent director prior to contesting elections. In this regard, Company is facilitating such directors by making amendment in Articles of Association regarding qualification shares.

The amendment in Article 71 of Articles of Association of Fatima Fertilizer Company Limited as per Comparative statement appended below is proposed to be approved as special resolution.

Comparative statement of proposed amendment in Existing Articles of Association of the Company is as follows:

Existing Article 71 of the Articles of Association	Article 71 of the Articles of Association after amendment
The qualification of a Director shall be the holding of shares of the Company to the nominal value of Rs 50,000/- at least in his own name, and this qualification shall be acquired within four months after appointment.	The qualification of a Director shall be the holding of shares of the Company to the nominal value of Rs 10/- at least in his own name, and this qualification shall be acquired prior to contesting elections/ appointment.

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

None of the directors have any interest whether directly or indirectly in the proposed business except to the extent of their respective shareholding/ directorship.

Item 11 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

Directors	**Relative**
1) Mr. Arif Habib	
2) Mr. Fawad Ahmed Mukhtar	1) Mrs. Ambreen Fawad
3) Mr. Fazal Ahmed Sheikh	
4) Mr. Faisal Ahmed Mukhtar	
5) Mr. Muhammad Kashif Habib	

The Directors have carried out the required due diligence for the purpose of issuance of corporate guarantees.

The information required under S.R.O. 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a) Disclosure for all types of Investments		
(A) Disclosure regarding associated company		
(i)	Name of associated company or associated undertaking	Pakarab Fertilizers Limited (PFL)
(ii)	Basis of relationship	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
(iii)	Earnings per share for the last three years	PKR (4.28) for year 2016 PKR (8.76) for year 2017 PKR (18.25) for year 2018
(iv)	Break-up value per share, based on latest audited financial statements	PKR 11.40
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the unaudited Financial Statements for the period ended September 30, 2019 PKR in Billion Authorized Capital 10.0 Paid up capital and reserves 10.7 Surplus on revaluation of operating fixed assets 9.8 Non-Current Liabilities 6.5 Current Liabilities 33.3 Current Assets 16.6 Non-Current Assets 21.4 Revenue 5.9 Gross Loss 0.12 Finance Cost 2.4 Loss After Tax 1.78

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(A) Disclosure regarding associated company		
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable
(B) General Disclosures		
(i)	Maximum amount of investment to be made	Corporate Guarantee(s) limit of up to an aggregate amount of PKR 2,000 Million.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of associated undertaking.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Not applicable
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	A limit for issuance of Corporate Guarantee(s) of upto an aggregate amount of PKR 2,000 million. Corporate Guarantee(s) will be issued by Fatima Fertilizer Company Limited, as and when needed, in favor of any bank / financial institution / company etc. in connection with financing or other facilities availed / to be availed by Pakarab Fertilizers Limited.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated 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 relative of the director is also the shareholder of the investee company, however, the directors/ relative have no direct or indirect interest except to the extent of shareholding/directorship 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 Relative 1) Mrs. Ambreen Fawad
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Long term loan of an aggregate amount of up to PKR 3.00 billion and running finance facility of an aggregate amount of PKR 2.00 billion is already given to PFL. It is being charged at the markup rate of 6M KIBOR + 2.12% per annum but not less than the borrowing cost of Fatima. There is no impairment or write offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None

STATEMENT UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(b) Additional Disclosures regarding Loan Investment		
(i)	Category-wise amount of investment	Corporate Guarantee(s) limit of up to an aggregate amount of PKR 2,000 million.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 12.520%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	In line with prevailing commercial rates for similar unfunded facilities.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Charge over current assets of the investee company.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The limit of Corporate Guarantee(s) will be for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year(s).

PATTERN OF **SHAREHOLDING**
as at December 31, 2019

Category - Wise

Categories of Shareholders	**Shares held**	**Percentage**
Directors, Chief Executive Officer, and their Spouse and Minor Children	602,300,238	28.68
Associated Companies, Undertakings and Related Parties	891,439,688	42.45
Sponsors	334,352,781	15.92
Executive	515,697	0.02
Public Sector Companies and Corporations	1,832,428	0.09
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	88,320,768	4.21
Mutual Funds	9,914,796	0.47
General Public		
a. Local	57,458,533	2.74
b. Foreign	709,487	0.03
Foreign Companies	4,928,976	0.23
Others	108,226,608	5.15
TOTAL	**2,100,000,000**	**100.00**

Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2019		**Shares held**	**Percentage**
1	**Associated Companies, Undertakings and Related Parties**		
	ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
	FATIMA TRADE COMPANY LIMITED	160,430,261	7.64
	FATIMA MANAGEMENT COMPANY LIMITED	160,430,261	7.64
	FATIMA TRADING COMPANY (PVT.) LIMITED	97,462,890	4.64
	FAZAL CLOTH MILLS LIMITED	69,114,031	3.29
	FATIMA HOLDING LIMITED	62,967,373	3.00
	RELIANCE WEAVING MILLS LIMITED	2,625,166	0.13
	ARIF HABIB EQUITY (PVT.) LIMITED	19,409,500	0.92
2	**Directors, CEO and their Spouse and Minor Children**		
	MR. MUHAMMAD ARIF HABIB	179,490,294	8.55
	MR. FAISAL AHMED MUKHTAR	131,932,979	6.28
	MR. FAWAD AHMED MUKHTAR	80,900,389	3.85
	MR. FAZAL AHMED SHEIKH	101,016,205	4.81
	MR. M. ABAD KHAN	754,500	0.04
	MRS. AMBREEN FAWAD	15,473,526	0.74
	MR. ASAD MUHAMMAD SHEIKH	24,364,808	1.16
	MR. MOHID MUHAMMAD AHMED	5,942,301	0.28
	MRS. FARAH FAISAL	56,250	0.00
	MRS. FATIMA FAZAL	70,311	0.00
	MR. MOHAMMAD KASHIF	62,293,675	2.97
	MS. ANJA ELISABETH NIELSEN	5000	0.00
3	**Sponsors**	334,352,781	15.92
4	**Executives**	515,697	0.02
5	**Public Sector Companies and Corporations**	1,832,428	0.09

PATTERN OF **SHAREHOLDING**
as at December 31, 2019

Details of holding as on December 31, 2019	Shares held	Percentage
6 Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	88,320,768	4.21
7 Mutual Funds	9,914,796	0.47
8 Shareholders holding 5 % or more voting interest		
ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
MR. MUHAMMAD ARIF HABIB	179,490,294	8.55
FATIMA TRADE COMPANY LIMITED	160,430,261	7.64
FATIMA MANAGEMENT COMPANY LIMITED	160,430,261	7.64
MR. FAISAL AHMED MUKHTAR	131,932,979	6.28

No. of Shareholders	From	Having Shares	To	Shares Held
2211	1	to	100	81,013
3827	101	to	500	1,559,018
1162	501	to	1000	1,039,528
1577	1001	to	5000	4,268,770
515	5001	to	10000	4,159,710
200	10001	to	15000	2,511,409
125	15001	to	20000	2,301,469
82	20001	to	25000	1,899,882
41	25001	to	30000	1,150,292
37	30001	to	35000	1,210,116
26	35001	to	40000	972,874
19	40001	to	45000	809,745
45	45001	to	50000	2,222,308
11	50001	to	55000	576,000
22	55001	to	60000	1,274,718
11	60001	to	65000	689,841
9	65001	to	70000	621,055
10	70001	to	75000	727,607
6	75001	to	80000	461,626
4	80001	to	85000	332,500
2	85001	to	90000	171,500
4	90001	to	95000	374,900
16	95001	to	100000	1,600,000
2	100001	to	105000	205,187
4	105001	to	110000	431,834
2	110001	to	115000	226,787
3	115001	to	120000	353,500
5	120001	to	125000	622,833
1	125001	to	130000	130,000
4	130001	to	135000	535,500
2	135001	to	140000	278,000
2	140001	to	145000	288,008
6	145001	to	150000	896,400
2	150001	to	155000	310,000
5	155001	to	160000	791,500
1	160001	to	165000	165,000
2	165001	to	170000	334,000
1	170001	to	175000	171,225
1	175001	to	180000	180,000
2	185001	to	190000	373,566

PATTERN OF **SHAREHOLDING**
as at December 31, 2019

No. of Shareholders	From	Having Shares	To	Shares Held
7	195001	to	200000	1,395,115
2	200001	to	205000	409,250
2	210001	to	215000	421,419
2	215001	to	220000	434,000
1	220001	to	225000	225,000
1	225001	to	230000	229,000
1	230001	to	235000	232,000
2	235001	to	240000	472,752
1	240001	to	245000	240,784
5	245001	to	250000	1,250,000
1	265001	to	270000	270,000
2	270001	to	275000	546,500
1	285001	to	290000	286,000
1	295001	to	300000	300,000
1	300001	to	305000	305,000
2	320001	to	325000	646,500
1	325001	to	330000	330,000
1	335001	to	340000	335,581
2	345001	to	350000	694,000
2	360001	to	365000	730,000
1	365001	to	370000	370,000
1	370001	to	375000	372,500
1	375001	to	380000	379,000
1	400001	to	405000	402,000
1	415001	to	420000	418,490
1	425001	to	430000	428,865
1	435001	to	440000	435,062
1	445001	to	450000	450,000
1	450001	to	455000	454,500
1	460001	to	465000	465,000
2	475001	to	480000	958,000
2	485001	to	490000	975,000
2	495001	to	500000	1,000,000
2	505001	to	510000	1,014,741
1	525001	to	530000	527,862
2	585001	to	590000	1,176,361
1	595001	to	600000	600,000
1	605001	to	610000	609,292
1	670001	to	675000	675,000
1	745001	to	750000	749,500
1	750001	to	755000	753,687
1	755001	to	760000	758,797
2	780001	to	785000	1,567,950
1	855001	to	860000	860,000
1	940001	to	945000	943,042
2	975001	to	980000	1,959,000
1	995001	to	1000000	1,000,000
1	1050001	to	1055000	1,055,000
1	1095001	to	1100000	1,095,270
1	1100001	to	1105000	1,100,500
1	1115001	to	1120000	1,116,000
1	1150001	to	1155000	1,155,000
1	1240001	to	1245000	1,240,017
1	1245001	to	1250000	1,250,000
2	1345001	to	1350000	2,699,050
1	1350001	to	1355000	1,351,357
1	1375001	to	1380000	1,375,263
1	1540001	to	1545000	1,541,878

PATTERN OF **SHAREHOLDING**
as at December 31, 2019

No. of Shareholders	From	Having Shares	To	Shares Held
1	1590001	to	1595000	1,591,500
2	2015001	to	2020000	4,030,430
1	2080001	to	2085000	2,080,500
1	2110001	to	2115000	2,111,000
1	2165001	to	2170000	2,166,000
1	2400001	to	2405000	2,403,669
1	2625001	to	2630000	2,625,166
1	2795001	to	2800000	2,800,000
1	2885001	to	2890000	2,887,500
1	2920001	to	2925000	2,925,000
1	2980001	to	2985000	2,981,177
1	3540001	to	3545000	3,541,000
1	3920001	to	3925000	3,924,459
1	4480001	to	4485000	4,482,000
1	5115001	to	5120000	5,116,285
3	5155001	to	5160000	15,474,978
2	5355001	to	5360000	10,718,543
1	5370001	to	5375000	5,373,907
3	5375001	to	5380000	16,125,084
1	5655001	to	5660000	5,658,075
1	7425001	to	7430000	7,429,576
2	7735001	to	7740000	15,474,978
1	8035001	to	8040000	8,038,869
1	8865001	to	8870000	8,866,946
1	8990001	to	8995000	8,993,500
2	10015001	to	10020000	20,039,578
1	10065001	to	10070000	10,066,585
1	11875001	to	11880000	11,877,500
1	12490001	to	12495000	12,492,349
2	16625001	to	16630000	33,254,639
1	17910001	to	17915000	17,913,706
2	18785001	to	18790000	37,579,583
1	19405001	to	19410000	19,409,500
1	34635001	to	34640000	34,636,529
1	34825001	to	34830000	34,829,963
1	39255001	to	39260000	39,258,014
1	39510001	to	39515000	39,512,487
1	41160001	to	41165000	41,163,375
1	42515001	to	42520000	42,520,000
1	46610001	to	46615000	46,610,769
1	46720001	to	46725000	46,722,543
1	53875001	to	53880000	53,878,336
1	62275001	to	62280000	62,279,926
1	62290001	to	62295000	62,293,675
1	62695001	to	62700000	62,700,000
1	62965001	to	62970000	62,967,373
1	64795001	to	64800000	64,800,000
1	69110001	to	69115000	69,114,031
2	75535001	to	75540000	151,076,076
2	84890001	to	84895000	169,784,446
1	91900001	to	91905000	91,900,380
1	97460001	to	97465000	97,462,890
1	179490001	to	179495000	179,490,293
1	254200001	to	254205000	254,200,206
10157				2,100,000,000

FINANCIAL **CALENDER**

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

Annual General Meeting	June 29, 2020
1st Quarter ending March 31, 2020	Last week of June 2020
2nd Quarter ending June 30, 2020	Third week of August 2020
3rd Quarter ending September 30, 2020	Third week of October 2020

FORM OF **PROXY**

17th 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 17th Annual General Meeting of the Company to be held on Monday, June 29, 2020 and / or any adjournment thereof.

As witness my/our hand/seal this ______________________ 2020.

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.

فاطمہ فرٹیلائزر کمپنی لمیٹڈ

پراکسی فارم

17واں سالانہ عمومی اجلاس

میں / ہم --

ساکن --- بطور ممبر(ز) فاطمہ فرٹیلائزر کمپنی لمیٹڈ

حامل ----------------------------- عام حصص، محترم / محترمہ ---

ساکن --- یا ان کے حاضر نہ ہو سکنے کی صورت میں -----------------------------

ساکن --- کو اپنے/ہمارے ایما پر کمپنی کے مورخہ 29 جون 2020

بروز پیر کو ہونے والے یا کسی بھی التوا کی صورت میں 17واں سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

بطور گواہ آج ----------- بتاریخ ----------- جون 2020 ----------------------- کی موجودگی میں دستخط ہوئے۔

پانچ روپے کے ریسدی
ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔**

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہو گی۔

AFFIX
CORRECT
POSTAGE

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

Fatima
Fertilizer Company Limited
a JV of Fatima and Arif Habib Groups
If undelivered, please return to:
The Company Secretary
Fatima Fertilizer Company Limited
E-110, Khayaban-e-Jinnah, Lahore Cantt., Pakistan.
UAN:111FATIMA (111-328-462) Fax: 042-36621389
www.fatima-group.com

MANDATORY REQUIREMENT OF BANK ACCOUNT DETAILS FOR ELECTRONIC CREDIT OF CASH DIVIDEND PAYMENT AS PER THE COMPANIES ACT, 2017

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is **mandatory** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information **to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in Book Entry Form) OR to our Share Registrar CDC Share Registrar Services Limited, CDC House, 99-B, B lock B,S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400 (in case your shareholding is in Physical Form)**:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No. (Copy attached)	
Cell number of shareholder	
Landline number of shareholder, if any	
Email	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) **"Mandatory"**	**PK**______________________________ **(24 digits)** (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	

It is stated that the above mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.

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Signature of shareholder

Fatima
Fertilizer Company Limited
a JV of Fatima and Arif Habib Groups

موصول نہ ہونے کی صورت میں، براہِ کرم یہاں واپس بھیج دیں:

کمپنی سیکرٹری

فاطمہ فرٹیلائزر کمپنی لمیٹڈ

E-110، خیابانِ جناح لاہور کینٹ، پاکستان

یو اے این: 111FATIMA (111-328-462)، فیکس: 042-36621389

www.fatima-group.com

کمپنیز ایکٹ 2017 کے مطابق کمپنی منافع (ڈیویڈنڈ) کی نقد ادائیگی کے واسطے الیکٹرانک کریڈٹ کے بینک اکاؤنٹ تفصیلات کی لازمی شرائط

معزز شیئر ہولڈر،

آپ کو مطلع کیا جاتا ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق، **نقد کی صورت میں ادا کیے جانے والے کسی بھی کمپنی منافع کو (ڈیویڈنڈ) صرف الیکٹرانک ذریعہ سے حقدار شیئر ہولڈر کی طرف سے نامزد کردہ بینک اکاؤنٹ میں براہ راست ادا کیا جائیگا**۔ براہ مہربانی نوٹ فرمائیں کہ کمپنی منافع (ڈیویڈنڈ) ادائیگیوں کے لئے بینک مینڈیٹ کا دیا جانا **لازمی** ہے اور اس انضباطی شرط کے مطابق عمل درآمد کے لئے نیز کمپنی منافع (ڈیویڈنڈ) کی رقم کی اپنے بینک میں براہ راست منتقلی کی سہولت سے بہرہ مند ہونے کے لئے، آپ سے درخواست کی جاتی ہے کہ براہ مہربانی **اپنے متعلقہ سی ڈی سی حصہ دار / سی ڈی سی سرمایہ کار اکاؤنٹ سروسز (آپ کے شیئر ہولڈنگ کے بک انٹری فارم میں ہونے کی صورت میں) یا ہمارے شیئر رجسٹرار** سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، **سی ڈی سی ہاؤس، B-99، بلاک B، ایس ایم سی ایچ ایس، مین شاہراہ فیصل کراچی۔ 74400 (آپ کا شیئر ہولڈنگ فزیکل فارم میں ہونے کی صورت میں) کو درج ذیل معلومات فراہم کریں:**

شیئر ہولڈر کی تفصیلات	
شیئر ہولڈر کا نام	
فولیو / سی ڈی ایس اکاؤنٹ نمبر	
کمپیوٹرائزڈ شناختی کارڈ نمبر (لف شدہ کاپی)	
شیئر ہولڈر کا سیل فون نمبر	
شیئر ہولڈر کا لینڈ لائن نمبر، اگر کوئی ہو تو	
ای میل	
بینک اکاؤنٹ کی تفصیلات	
بینک اکاؤنٹ کا عنوان	
بین الاقوامی بینک اکاؤنٹ نمبر (آئی بین) **"لازمی"**	**(24 حروف)** ______________________ **PK** (براہ مہربانی اپنے متعلقہ بینک برانچ سے مشورہ کر کے اپنا درست آئی بین نمبر فراہم کریں کیونکہ آئی بین نمبر میں کسی بھی غلطی یا بھول چوک کے باعث آپ کے نقد کمپنی منافع (ڈیویڈنڈ) ادائیگی میں نقصان یا دیر ہو جانے کی صورت میں کمپنی کسی بھی طرح ذمہ دار نہ ہوگی)
بینک کا نام	
برانچ کا نام اور پتہ	

فراہم کی گئی درج بالا تمام معلومات بالکل درست ہیں اور ان میں کسی بھی قسم کی تبدیلی واقع ہونے کی صورت میں، میں / ہم فوری طور پر حصہ دار / شیئر رجسٹرار کو مطلع کریں گے۔

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دستخط شیئر ہولڈر

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