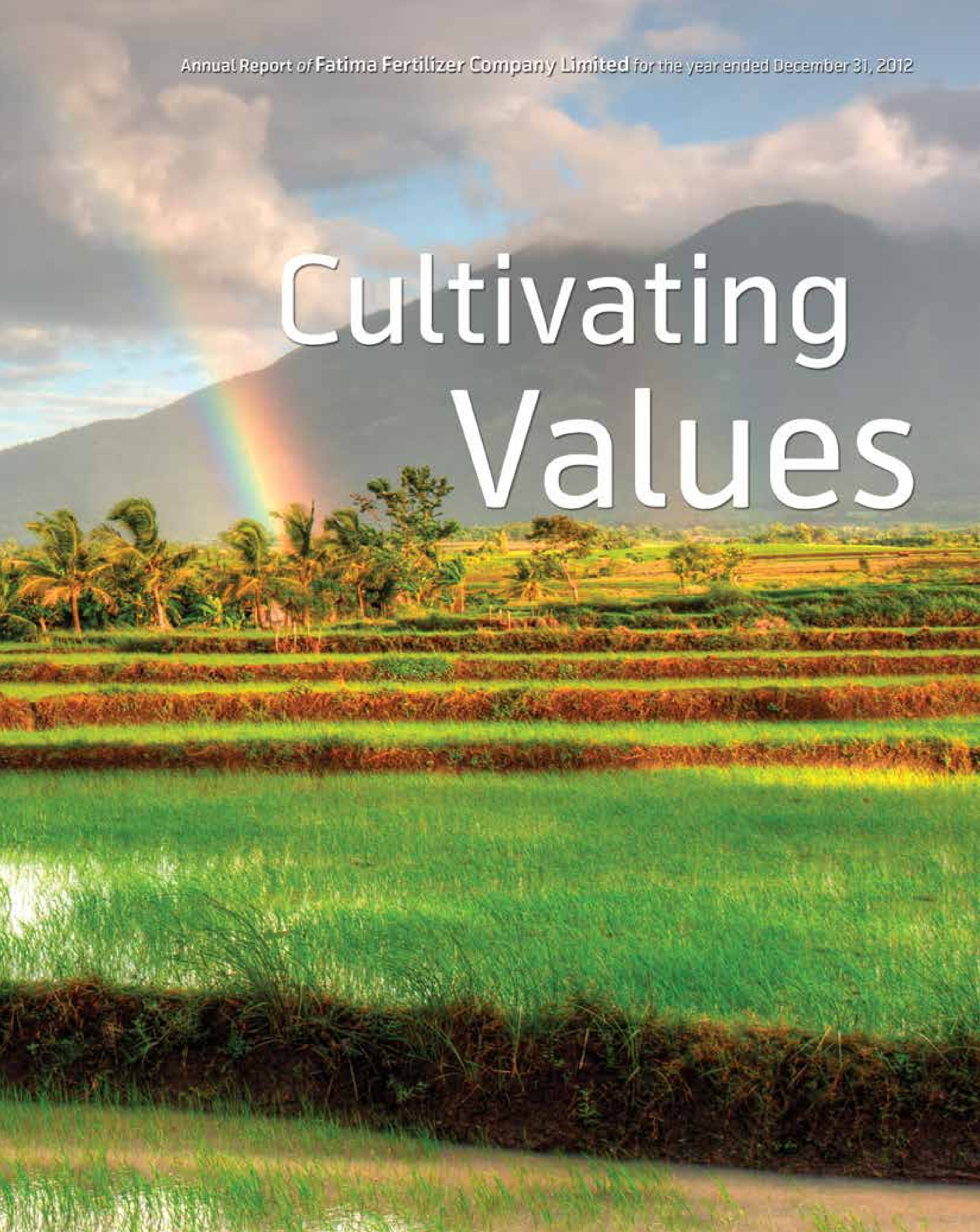
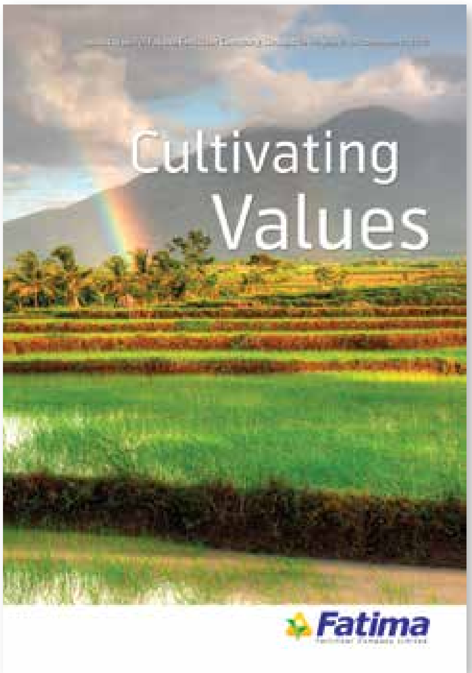
Annual Report of **Fatima Fertilizer Company Limited** for the year ended December 31, 2012

Cultivating Values



Fatima
Fertilizer Company Limited



Cultivating Values...

Fertilizers provide nutrients to impoverished soils enabling them to strengthen plants leading to increased yields. Higher productivity means greater prosperity and adding value to people's lives.

Which is why we, at Fatima Fertilizer, believe we do not just manufacture fertilizers, but are committed to creating value by "nourishing soils" and thereby "enriching lives" through better crops and hence better yields for our farmers. This, we believe, translates into sustainable growth providing raw material for our industries and food security for all.

We cherish our Core Values and are certain they are not only the foundation of our culture but are the inspiration for our growth. We are dedicated towards making them a nutrient of our DNA in whatever we endeavor to do as individuals and as an organization.

This year our theme is to pay tribute to our enduring values in delivering the promise of "nourishing soils" and "enriching lives"

Contents

Our Vision and Mission

Vision

To be a world class manufacturer of fertilizers and ancillary products, with a focus on safety, quality and 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 through quality and service.
- To provide employees 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.

Core Values

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

Safety, Health, 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

> A commitment to honesty, ethical conduct and integrity is the leading objective of the Company. To assist employees in achieving this objective and implement its commitment, the Company has developed a comprehensive Code of Conduct which guides the behavior of our directors and employees and is reproduced in the form of a Policy Statement of Ethics and Business Practices

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

Ethics and Business Practices

WE believe in conducting the Company's business in a manner that respects, protects and improves the environment and provides employees with a safe and healthy workplace. We conduct our business in an environmentally responsible and sustainable manner. Employees must be completely familiar with the permits, Health Safety and Environment policy, local laws and regulations that apply to their work.

All employees are expected to understand the laws and business regulations related to their work and comply fully so that our shareholders, employees, customers, suppliers, stakeholders and the Government have complete faith in the way we operate and that our business decisions are made ethically and in the best interests of the Company.

Employees are obligated to act in accordance with the Company's code of Ethics and Business Conduct and are restricted to using only legitimate practices in commercial operations and in promoting the Company's position on issues before governmental authorities. Inducements intended to reward favorable decisions and governmental actions are unacceptable and prohibited.

Employees are prohibited from using their positions, Company property or information for personal gain, and from competing with the Company. Employees are also prohibited from taking advantage from opportunities that become available through the use of Company information, property or their position.

Assets and Proprietary information

WE consider our Company's assets, both physical and intellectual, very valuable. We have, therefore an obligation to protect these assets in the interest of the Company and its shareholders.

Protection of the Company's information is important for our business. All employees are expected to know what information is proprietary and which must not

be disclosed to unauthorized sources. Employees are responsible for applying all available tools to manage the Company's information resources and records.

Relations with Business partners

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

Our Employees

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

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

Profile of the Company

The fertilizer complex is a fully integrated production facility, capable of producing two intermediate products, i.e. Ammonia and Nitric Acid and three final products which are Urea, Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP) at Mukhtar Garh, Sadiqabad.

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

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

The Complex, at its construction peak engaged over 4,000 engineers and technicians from Pakistan, China, USA, Japan and Europe.

The Complex provides modern housing for its employees with all necessary facilities. This includes a school for children of employees and the local community, a medical centre and sports facilities.

The Company is listed at all stock exchanges of Pakistan, through a successful Initial Public Offering (IPO) in January 2010. 200 million Ordinary Shares were offered to the public bringing the issued Ordinary Share Capital from 1,800 million to 2,000 million shares. The current paid up capital of the Company is 2,100 million shares as a result of conversion of Preference Shares into Ordinary Shares.


Ensuring a
greener tomorrow...

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh

Mr. Faisal Ahmed Mukhtar

Mr. M. Abad Khan

Mr. Muhammad Kashif Habib

Mr. Jørgen Nergaard Gøl

Mr. Amir Shehzad
Nominiee Director-NBP

Chief Financial Officer

Mr. Muhammad Abdul Wahab

Company Secretary

Mr. Ausaf Ali Qureshi

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Asad Murad
Head of Internal Audit

Mr. Javed Akbar
Head of Procurement

Audit Committee

Mr. Muhammad Kashif Habib
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Amir Shehzad
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Jørgen Nergaard Gøl
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Legal Advisors

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

Auditors

M. Yousuf Adil Saleem & Company
Chartered Accountants
Lahore.
(A member firm of Deloitte Touche Tohmatsu)
134-A, Abubakar Block,
New Garden Town, Lahore.
Tel: No. 92-42-35913595-7
Fax: No. 92-42-35864021

Registrar & Share Transfer Agent

Central Depository Company of
Pakistan Limited
Share Registrar Department
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Bankers

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

Registered Office / Head Office

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

Plant Site

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

Profiles of the Directors

Mr. Arif Habib
Chairman

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

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

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

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has rich experience of manufacturing and industrial management. Following his graduation he has spent 29 years in developing his family business into a sizeable conglomerate. Mr. Fawad Mukhtar leads several community service initiatives of his group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School, Mukhtar A. Sheikh Welfare Trust etc. He also holds the following portfolios:

Chairman

- Reliance Weaving Mills Limited
- Fatima Energy Limited
- Reliance Commodities (Private) Limited
- Fatima Sugar Mills Limited
- Air One (Private) Limited

CEO

- Pakarab Fertilizers Limited

Member

- Board of Governor “National Management Fund” - Parent body of 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 also holds the following portfolios:

CEO

- Reliance Weaving Mills Limited
- Fatima Energy Limited
- Air One (Private) Limited

Director

- Pakarab Fertilizers Limited
- Reliance Commodities (Private) Limited
- Fatima Sugar Mills Limited
- Fazal Cloth Mills Limited

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

Mr. Faisal Ahmed Mukhtar is a Director of the Company. He holds a Law degree from Bahauddin Zakariya University, Multan. He is the former Mayor and City District Nazim of Multan, and continues to lead welfare efforts in the city. He also holds the following portfolios:

Chairman

- Workers Welfare Board - Pakarab Fertilizers Limited

Director

- Pakarab Fertilizers Limited
- Fatima Sugar Mills Limited
- Fatima Energy Limited
- Reliance Weaving Mills Limited
- Reliance Commodities (Private) Limited
- Fazal Cloth Mills Limited
- Air One (Private) Limited

Member

- Provincial Finance Commission
- Steering Committee of Southern Punjab Development Project
- Decentralization Support Program

Profiles of the Directors

Mr. M. Abad Khan
Executive Director

Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in Fertilizer operations in Europe. After serving some initial years in commissioning Pakistan's first Urea Plant with PIDC, he joined Exxon Chemical Pakistan Ltd. at its very initial stage. After 15 years working mostly at senior management positions, he took early retirement to join Fauji Fertilizer Co. as General Manager Plant. Here he organized and established systems and procedures to lead the Plant to world standards. After serving for 14 years, and when Plant capacity had more than doubled, he retired from Company service on attaining the age of superannuation.

In 2001, when Fauji Fertilizer Bin Qasim faced serious challenges, he accepted the position of General Manager Plant. During his contract of 4 years, Plant production and reliability was improved and a major re-vamp of 25% over design capacity was conceived, planned and ordered which was subsequently implemented with very good results.

He has been with Fatima Group for almost 7 years and played significant role in establishment of Fatima Fertilizer.

During the course of a long career, he had extensive international exposure through trainings, seminars and symposiums.

Mr. Muhammad Kashif Habib
Non-Executive Director

Mr. Muhammad Kashif Habib is a Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan (ICAP) and has completed his mandatory Articles with M/s. A. F. Ferguson & Co. Chartered Accountants. He is also director of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Javedan Corporation Limited, Aisha Steel Mills Limited, Arif Habib REITS management Limited, Rotocast Engineering (Pvt) Limited, Memon Health & Education Foundation, and the Chief Executive of Al-Abbas Cement Industries Limited.

Mr. Jørgen Nergaard Gøl
Non-Executive Director

Mr. Jørgen Nergaard Gøl graduated from the Technical University of Copenhagen in 1986 with a B.Sc. (hon) in Chemical Engineering and holds a degree in Engineering Business Administration (EBA).

Since his graduation, he has been employed with Haldor Topsøe A/S. From 1986 to 1989 as a Technical Sales and Service Engineer in the Catalyst Division in Lyngby and from 1989 to 1992 in the Topsøe Houston office. From 1992 to 1997 as Product Manager of Hydrogen & Synthesis Gas-related technologies and from 1997 to 2005 as Sales Manager of the Hydrogen, Synthesis and Methanol Technology Group in the Technology Division.

As from January 2006, he was appointed Vice President of Marketing & Sales in the Technology Division and after an internal reorganisation, Vice President, Syngas Technology Business Unit as of June 2009.

As of April 2012, he has been appointed as Group Vice President of the Chemical Business Unit in Haldor Topsøe A/S.

Mr. Amir Shehzad
Nominee Director - NBP

Mr. Amir Shehzad is a nominee Director of National Bank of Pakistan (NBP). He holds a B.S degree in Finance from Arizona State University, U.S.A and is currently Senior Vice President and Head of Capital Markets Division at National Bank of Pakistan (NBP).

He has an overall work experience of over 19 years at numerous senior management positions. He is also on the Board of Directors of National Fullerton Asset Management Company and Pakistan Mercantile Exchange (Pakistan's only commodity exchange) representing National Bank of Pakistan.

Board Structure and Committees

Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. It comprises of eight directors, seven of whom have been elected by the shareholders for a term of three years expiring on April 30, 2014 and one director is nominee of National Bank of Pakistan. Other than the Chief Executive Officer (CEO), there are two executive director and five non-executive directors including the Chairman and nominee director.

The Board provides leadership and strategic guidance to the Company, oversees the conduct of business and promotes the interests of all stakeholders. It reviews corporate policies, overall performance, accounting and reporting standards and other significant areas of management, corporate governance and regulatory compliance. It also reviews and approves the annual budget and longer term strategic plans.

The Board is headed by the Chairman who manages the Board's business and acts as its facilitator and guide. The Board is assisted by an Audit Committee and a Human Resource and Remuneration Committee while the CEO carries responsibility for day-to-day operations of the Company and execution of Board policies.

Board Committees

The standing committees of the Board are:

Audit Committee

Composition

The Audit Committee consists of five members of the Board. Majority of the members of the Audit Committee are non-executive including the Chairman. The members are:

1. Mr. Muhammad Kashif Habib
   Chairman
2. Mr. Fazal Ahmed Sheikh
   Member
3. Mr. M. Abad Khan
   Member
4. Mr. Faisal Ahmed Mukhtar
   Member
5. Mr. Amir Shehzad
   Member

Terms of Reference

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

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

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

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

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

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

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

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

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

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

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

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

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

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

l) determination of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

Composition

The Human Resource and Remuneration Committee consists of four members of the Board. Majority of the members of the Committee are non-executive directors. The members are:

1. Mr. M. Abad Khan
   Chairman
2. Mr. Jørgen Nergaard Gøl
   Member
3. Mr. Muhammad Kashif Habib
   Member
4. Mr. Faisal Ahmed Mukhtar
   Member

Terms of Reference

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

1. Duties and Responsibilities

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

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

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

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

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

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

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

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 authorised and empowered:

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

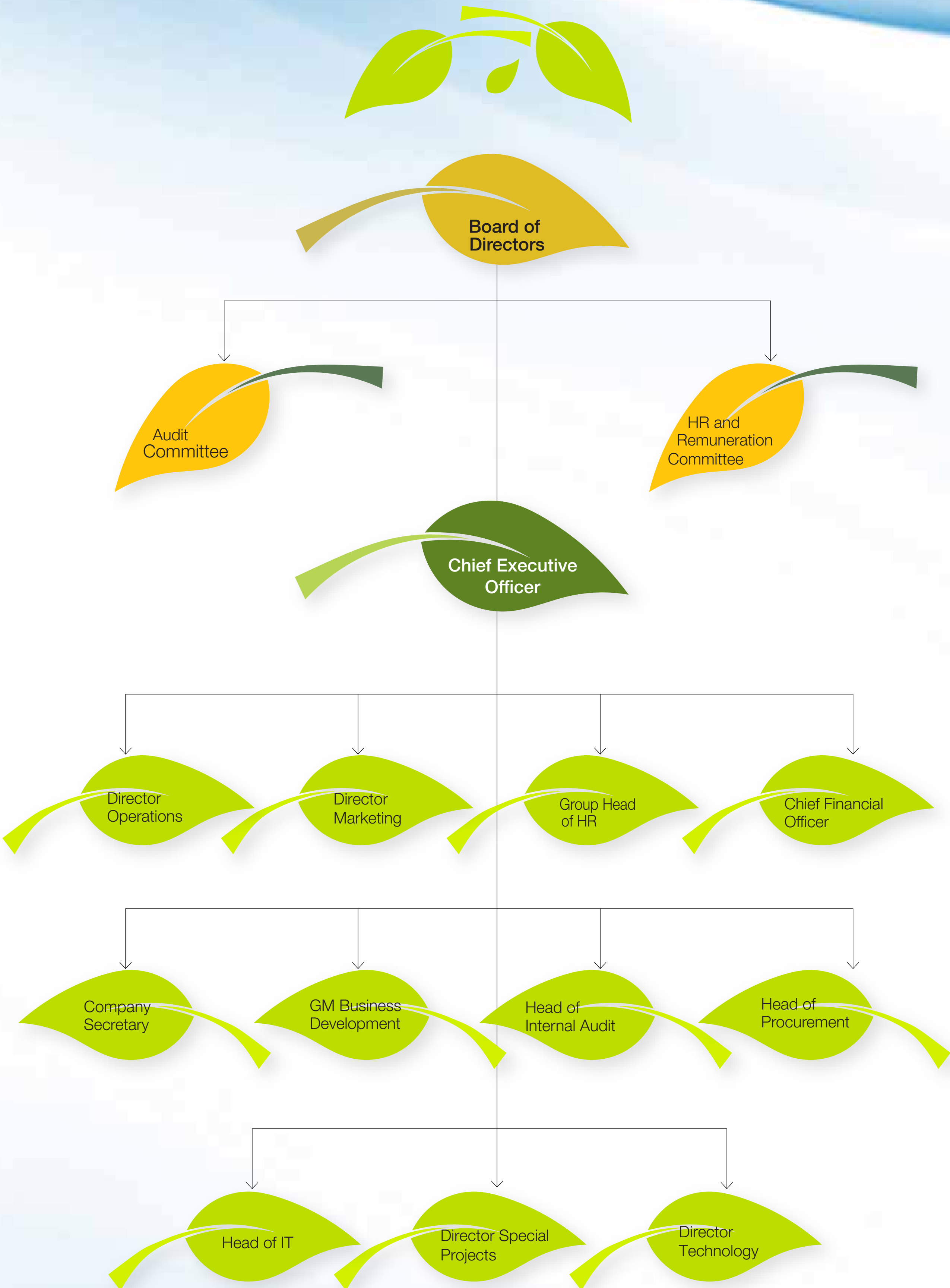
3.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and

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

Landmark Events

December 2003	Company Incorporation
September 2004	Gas Allocation
July 2005	GSA Signing
April 2006	Ground Breaking
June - September 2006	Signing of Contracts
November 2006	Financial Closure Achieved
October 2009	Ammonia Furnace 1st Fire
November 2009	CAN Plant Production
January 2010	Initial Public Offering
February 2010	Ammonia Plant Production
March 2010	Urea Plant Production
April 2010	NA Plant Production
April 2011	NP Plant Production
July 2011	Declaration of Commercial Operations
May 2012	Conversion and Redemption of Preference Shares

Organizational Chart



Profiles of the Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Arif-ur-Rehman joined Fatima Fertilizer Company Limited in early 2007 and led the project successfully as Project Director. After project commissioning, he is now leading Manufacturing Division as 'Director Operations'. He is a Chemical Engineer with 31 years of experience in the fertilizer and petrochemical industries. His experience includes tenures with Fauji Fertilizer plant in Goth Macchi where he was part of a successful project team, Fauji Fertilizer Bin Qasim plant and ICI PTA Bin Qasim plant.

Mr. Muhammad Zahir
Director Marketing

Mr. Muhammad Zahir holds a Masters degree in Business Administration from the Institute of Business Administration, Karachi. He spent 29 years with ICI Pakistan working in its various businesses and the Human Resource Function. He served as an Executive Director on the Board of ICI Pakistan. He has diverse experience in business including paints, polyester fiber, chemical, agrochemicals, pharmaceuticals, seeds and animal health.

Mr. Haroon Waheed
Group Head of HR

Mr. Haroon Waheed has done his LLM from Monash University, Melbourne, Australia. He has 21+ years of national & international broad based functional business experience with Unilever and has been associated with Pakistan Society of HR Management as President. In addition to representation in the HR and Management Development conferences at the national level. Mr. Haroon has won the International best HR Leadership award in 2010.

Mr. M. Abdul Wahab
Chief Financial Officer

Mr. Muhammad Abdul Wahab has over 26 years national & international experience in banking, oil & gas, manufacturing, retail, automobile and aviation industries. He has held various senior management positions in the areas of finance, strategic business planning, risk management and corporate compliance. He is a fellow member of the Institute of Chartered Accountants of Pakistan and a member of Institute of Certified Public Accountant of USA.

Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Ausaf Ali Qureshi is a Fellow Member of Institute of Chartered Accountants of Pakistan. He has over 27 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 senior management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.

Mr. Iftikhar Mahmood Baig
GM Business Development

Mr. Iftikhar Mahmood Baig is working as GM Business Development of Fatima Group. He is also director of Fatima Energy Limited, Reliance Sacks Limited, Pakistan Mining Company Limited and member of the Workers Welfare Board - Pakarab Fertilizers Limited. He is a Fellow member of Institute of Chartered Secretaries and Managers of Pakistan. Mr. Baig is associated with Fatima Group since 1996 and has held various senior level management positions. He has over 29 years of experience in new venture development, Corporate, Finance, Government Relations and Strategic Planning.

Mr. Asad Murad
Head of Internal Audit

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. He has 13 years of experience of handling finance and business planning functions with Honda Atlas Cars (Pakistan) Limited. He joined the Company in October, 2010.

Mr. Javed Akbar
Head of Procurement

Mr. Javed Akbar is a Mechanical Engineer from NED University of Engineering and Technology Karachi, and also did his graduation in computer science from university of Mississippi, USA. He brings with him an experience of around 25 years, out of which more than 15 years is in the area of supply chain with multinational companies in Pakistan including Philips, Alcatel, Mobilink and PTCL. He has attended International Training Course on management and leadership from world renowned institutions like Insead, Harvard and MIT.

Mr. Qadeer Ahmed Khan
Director Special Projects

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

Mr. Ahsen-ud-Din
Director Technology

Mr. Ahsen-ud-din has around 20 years of professional experience with leading companies like Fauji Fertilizer, Kuwait National Petroleum and Engro Polymers & Chemicals. During his professional career Mr. Ahsen-ud-din has a track record of executing multimillion dollar petrochemical projects and efficiently managing petrochemical manufacturing facilities with world class HSE performance.

Notice of 10th Annual General Meeting

Notice is hereby given that the Tenth Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Saturday, March 30, 2013 at 10:30 a.m. at Royal Palm Golf and Country Club, 52-Canal Bank Road, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on April 28, 2012.

2. To receive, consider and adopt the audited financial statements of the Company together with the directors' and auditors' reports thereon for the year ended December 31, 2012.

3. To consider and approve final cash dividend for the year ended December 31, 2012 at Rs. 2 per share i.e., 20% as recommended by the Board of Directors.

4. To appoint Auditors for the year ending December 31, 2013 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s M. Yousuf Adil Saleem & Co. Chartered Accountants as external auditors.

Other Business

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

By order of the Board

Ausaf Ali Qureshi
Company Secretary

Lahore: March 08, 2013

Notes:

1. The share transfer books of the Company will remain closed from March 22, 2013 to March 30, 2013 (both days inclusive). Transfers received in order at the office of our Shares Registrar, Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, by the close of business on March 21, 2013 will be treated in time.

2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

3. Proxies in order to be effective must be received at the office of our Shares Registrar not later than 48 hours before the time for holding meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC number and signatures.

4. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original NIC to prove identity, and in case of proxy, a copy of shareholder's attested computerised national identity card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

   CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

   A. For attending the Meeting:

   i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original CNIC or original passport at the time of attending the Meeting.

   ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of Meeting.

   B. For appointing proxies:

   i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

   ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

   iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

   iv) The proxy shall produce his original CNIC or original passport at the time of Meeting.

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

5. Shareholders are requested to immediately notify the change of their address, if any.

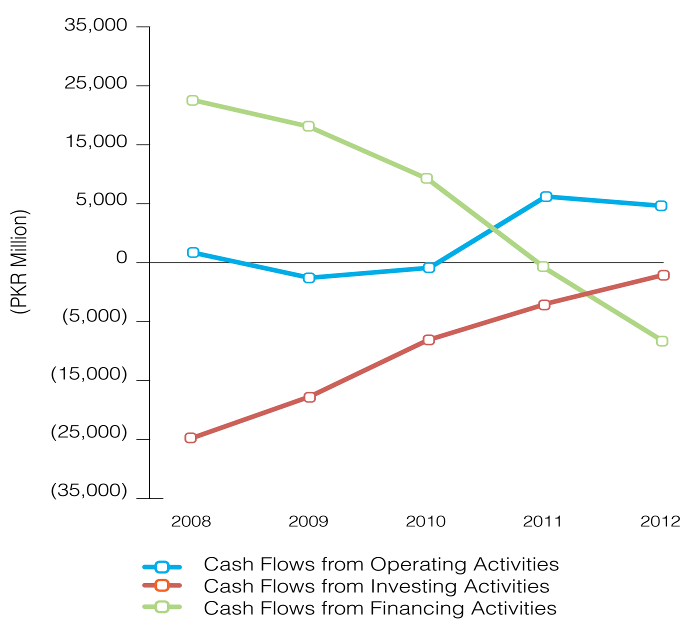
Key Performance Indicators

		2012	2011
PROFITABILITY			
Gross profit	%	58.49	67.77
EBITDA	%	55.35	66.48
Operating profit	%	50.09	60.79
Profit before tax	%	30.76	41.04
Net profit	%	20.70	27.75
Return on equity	%	21.11	14.67
Return on capital employed	%	10.38	6.36
Return on total assets	%	8.04	5.39
LIQUIDITY / ACTIVITY			
Current ratio	Times	0.68	0.84
Quick / Acid test ratio	Times	0.47	0.71
Cash from operations to sales	Times	0.24	0.50
Inventory turnover	Times	6.58	3.64
Stock holding period	Days	55.45	49.72
Fixed assets turnover	Times	0.43	0.22
Total assets turnover	Times	0.39	0.20
CAPITAL STRUCTURE			
Debt : Equity		52:48	57:43
Interest cover	Times	2.57	2.99
Financial leverage	Times	1.27	1.42
Debt service coverage	Times	1.86	3.22
Total liabilities to net worth	Times	1.63	1.72
Weighted average cost of debt	%	15.33	15.98
INVESTMENT / MARKET			
Book value per share	Rs	13.79	14.03
Market to book value per share	Times	1.92	1.63
Basic earnings per share	Rs	2.86	1.90
Diluted earnings per share	Rs	2.86	1.85
Price earning	Times	9.23	12.06
Dividend per share - Proposed	Rs	2.00	1.50
Dividend cover	%	143	127
Dividend yield	%	7.58	6.54
Dividend payout	%	69.93	78.95

Cash Flows Summary

	2012	2011	2010	2009	2008
			PKR Million		
Cash Flows from Operating Activities					
Cash generated from / (used in) operations	13,770	10,922	(323)	(1,948)	716
Finance costs paid	(6,532)	(3,166)	(9)	(7)	-
Taxes paid	(285)	(282)	(22)	(12)	(37)
Employee retirement benefits paid	(12)	(8)	(28)	(3)	(1)
Net Cash from / (used in) Operating Activities	**6,941**	**7,466**	**(381)**	**(1,970)**	**677**
Cash Flows from Investing Activities					
Fixed capital expenditure	(949)	(386)	(3,695)	(13,176)	(24,943)
Long term investments	(85)	-	-	-	-
Finance costs paid	-	(3,311)	(5,153)	(3,530)	(422)
Proceeds from disposal of property, plant and equipment	-	-	1	-	-
Net proceeds from disposal of short term investments	-	2	-	-	-
Net (increase) / decrease in long term loans and deposits	(6)	28	(8)	(3)	(3)
Profit received on saving accounts	76	30	-	-	-
Net Cash used in Investing Activities	**(965)**	**(3,637)**	**(8,855)**	**(16,709)**	**(25,368)**
Cash Flows from Financing Activities					
Redemption of preference shares	(2,000)	-	-	-	-
Proceeds / advances received against preference shares	-	-	102	3,898	-
Proceeds from share deposit money	-	-	2,790	2,491	8,074
Cost of issue of share capital	-	-	(110)	-	-
Repayment of long term finance	(16,879)	-	-	-	-
Proceeds from long term finance	10,498	44	6,198	12,498	15,888
Dividend paid	(3,141)	-	-	-	-
Increase / (decrease) in short term finance - net	2,690	(316)	316	-	-
Increase / (decrease) in bills payable	-	-	-	(464)	464
Net Cash (used in) / from Financing Activities	**(8,832)**	**(273)**	**9,295**	**18,424**	**24,426**
Net (decrease) / increase in cash and cash equivalents	(2,855)	3,556	59	(255)	(264)
Cash and cash equivalents at beginning of the year	3,839	283	224	479	744
Cash and Cash Equivalents at end of the Year	**984**	**3,839**	**283**	**224**	**479**

**Cash Flows from
Operating, Investing & Financing Activities**



Balance Sheet - Vertical Analysis

	2012		2011		2010		2009		2008	
									PKR Million	
Non-Current Assets	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Fixed Capital Expenditure	67,579	89%	68,116	89.22%	64,920	93.47%	54,978	96.11%	37,200	97.65%
Deferred Tax Asset	-	-	-	-	22	0.03%	-	-	-	-
Long Term Investments	85	0.11%	-	-	-	-	-	-	-	-
Long Term Deposits	11	0.01%	5	0.01%	16	0.02%	8	0.01%	5	0.01%
Total Non-Current Assets	**67,676**	**89.04%**	**68,121**	**89.23%**	**64,958**	**93.52%**	**54,986**	**96.13%**	**37,205**	**97.66%**
Current Assets										
Stores and Spares	3,231	4.25%	1,931	2.53%	2,479	3.57%	1,143	2.00%	2	0.01%
Stock-in-Trade	2,508	3.30%	1,215	1.59%	540	0.78%	-	-	-	-
Trade Debts	138	0.18%	196	0.26%	257	0.37%	-	-	-	-
Loans, Advances, Deposits and Prepayments	1,468	1.93%	1,045	1.37%	940	1.35%	849	1.48%	411	1.08%
Cash and Bank Balances	984	1.29%	3,839	5.03%	283	0.41%	224	0.39%	479	1.26%
Total Current Assets	**8,329**	**10.96%**	**8,226**	**10.77%**	**4,499**	**6.48%**	**2,216**	**3.87%**	**892**	**2.34%**
Total Assets	76,005	100.00%	76,347	100.00%	69,457	100.00%	57,202	100.00%	38,097	100.00%
Share Capital and Reserves										
Issued, Subscribed and Paid-up Capital	21,000	27.63%	20,000	26.20%	20,000	28.80%	18,000	31.47%	8,935	23.45%
Preference Shares	-	-	4,000	5.24%	4,000	5.76%	-	-	-	-
Share Deposit Money for Ordinary Shares	-	-	-	-	-	-	-	-	6,574	17.26%
Hedging Reserve	-	-	-	-	-	-	-	-	(10)	-0.03%
Share Premium	1,790	2.36%	790	1.03%	790	1.14%	-	-	-	-
Accumulated Profit / (loss)	6,160	8.11%	3,265	4.28%	(531)	-0.76%	(257)	-0.45%	(153)	-0.40%
Total Share Capital and Reserves	**28,950**	**38.09%**	**28,055**	**36.75%**	**24,259**	**34.93%**	**17,743**	**31.02%**	**15,346**	**40.28%**
Non-Current Liabilities										
Long Term Finance	27,024	35.56%	34,457	45.13%	37,446	53.91%	30,846	53.92%	18,750	49.22%
Dividend and Markup Payable to Related Parties	2,918	3.84%	2,217	2.90%	844	0.87%	-	-	-	-
Deferred Liabilities	4,841	6.37%	1,807	2.37%	74	0.11%	54	0.09%	32	0.08%
Advance against Preference Shares	-	-	-	-	-	-	3,898	6.81%	-	-
Bills Payable	-	-	-	-	-	-	-	-	464	1.22%
Total Non-current Liabilities	**34,783**	**45.76%**	**38,481**	**50.40%**	**38,364**	**54.89%**	**34,798**	**60.83%**	**19,246**	**50.52%**
Current Liabilities										
Trade and Other Payables	4,997	6.57%	4,651	6.09%	3,704	5.33%	1,662	2.91%	1,958	5.14%
Accrued Finance Cost	499	0.66%	1,891	2.48%	2,749	4.30%	2,596	4.54%	1,532	4.02%
Short Term Finance Secured	2,690	3.54%	-	-	316	0.45%	-	-	-	-
Current Portion of Long Term Loans	4,085	5.38%	3,033	3.97%	-	-	402	0.70%	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	15	0.04%
Provision for Taxation	-	-	236	0.31%	65	0.09%	-	-	-	-
Total Current Liabilities	**12,272**	**16.15%**	**9,811**	**12.85%**	**6,834**	**10.18%**	**4,661**	**8.15%**	**3,505**	**9.20%**
Total Liabilities and Equity	76,005	100.00%	76,347	100.00%	69,457	100.00%	57,202	100.00%	38,097	100.00%

Balance Sheet - Horizontal Analysis

	2012	12' vs 11'	2011	11' vs 10'	2010	10' vs 09'	2009	09' vs 08'	2008
									PKR Million
Non-Current Assets	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Fixed Capital Expenditure	67,579	-0.8%	68,116	4.9%	64,920	18.1%	54,978	47.8%	37,200
Deferred Tax Asset	-	-	-	-100.0%	22	-	-	-	
Long Term Investments	85	-	-	-	-	-	-	-	-
Long Term Deposits	11	107.3%	5	-65.7%	16	100.0%	8	60.0%	5
Total Non-Current Assets	**67,676**	**-0.7%**	**68,121**	**4.9%**	**64,958**	**18.1%**	**54,986**	**47.8%**	**37,205**
Current Assets									
Stores and Spares	3,231	67.3%	1,931	-22.1%	2,479	116.9%	1,143	57050.0%	2
Stock-in-Trade	2,508	106.4%	1,215	125%	540	-	-	-	-
Trade Debts	138	-29.3%	196	-23.8%	257	-	-	-	-
Loans, Advances, Deposits and Prepayments	1,468	40.4%	1,045	11.2%	940	10.7%	849	106.6%	411
Cash and Bank Balances	984	-74.4%	3,839	1256.5%	283	26.3%	224	-53.2%	479
Total Current Assets	**8,329**	**1.3%**	**8,226**	**82.8%**	**4,499**	**103.0%**	**2,216**	**148.4%**	**892**
Total Assets	**76,005**	**-0.4%**	**76,347**	**9.9%**	**69,457**	**21.4%**	**57,202**	**50.1%**	**38,097**
Share Capital and Reserves									
Issued, Subscribed and Paid-up Capital	21,000	5.0%	20,000	-	20,000	11.1%	18,000	101.5%	8,935
Preference Shares	-	-100.0%	4,000	-	4,000	-	-	-	-
Share Deposit Money for Ordinary Shares	-	-	-	-	-	-	-	-100.0%	6,574
Hedging Reserve	-	-	-	-	-	-	-	-100.0%	-10
Share Premium	1,790	126.6%	790	-	790	-	-	-	-
Accumulated Profit / (loss)	6,160	88.7%	3,265	714.9%	-531	106.6%	-257	68.0%	-153
Total Share Capital and Reserves	**28,950**	**3.2%**	**28,055**	**15.6%**	**24,259**	**36.7%**	**17,743**	**15.6%**	**15,346**
Non-Current Liabilities									
Long Term Finance	27,024	-21.6%	34,457	-8.0%	37,446	21.4%	30,846	64.5%	18,750
Dividend and Markup Payable to Related Parties	2,918	31.6%	2,217	162.7%	844	-	-	-	-
Deferred Liabilities	4,841	167.9%	1,807	2341.9%	74	37.0%	54	68.8%	32
Advance against Preference Shares	-	-	-	-	-	-100.0%	3,898	-	-
Bills Payable	-	-	-	-	-	-	-	-100.0%	464
Total Non-current Liabilities	**34,783**	**-9.6%**	**38,481**	**0.3%**	**38,364**	**10.2%**	**34,798**	**80.8%**	**19,246**
Current Liabilities									
Trade and Other Payables	4,997	7.4%	4,651	25.6%	3,704	122.9%	1,662	-15.1%	1,958
Accrued Finance Cost	499	-73.6%	1,891	-31.2%	2,749	5.9%	2,596	69.5%	1,532
Short Term Finance Secured	2,690	-	-	-100.0%	316	-	-	-	-
Current Portion of Long Term Loans	4,085	34.7%	3,033	-	-	-	402	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	15
Provision for Taxation	-	-100.0%	236	269.1%	65	-	-	-	-
Total Current Liabilities	**12,272**	**25.1%**	**9,811**	**43.6%**	**6,834**	**46.7%**	**4,661**	**33.0%**	**3,505**
Total Liabilities and Equity	**76,005**	**-0.4%**	**76,347**	**9.9%**	**69,457**	**21.4%**	**57,202**	**50.1%**	**38,097**

Profit and Loss Account - Vertical Analysis

	2012		2011	
	PKR Million	%	PKR Million	%
Sales	29,519	100%	14,833	100%
Cost of sales	(12,252)	-42%	(4,741)	-32%
Gross Profit	**17,266**	**58%**	**10,092**	**68%**
Distribution cost	(1,234)	-4%	(338)	-2%
Administrative expenses	(739)	-3%	(417)	-3%
	15,293	**52%**	**9,337**	**63%**
Finance cost	(5,774)	-20%	(3,063)	-21%
Other operating expenses	(506)	-2%	(320)	-2%
	9,013	**31%**	**5,954**	**40%**
Other operating income	67	0.2%	134	0.9%
Profit Before Tax	**9,081**	**31%**	**6,088**	**41%**
Taxation	(2,969)	-10%	(1,971)	-13%
Profit for the year	**6,111**	**21%**	**4,117**	**28%**

Profit and Loss Account - Horizontal Analysis

	2012 PKR Million	Change	2011 PKR Million
Sales	29,519	99%	14,833
Cost of sales	(12,252)	158%	(4,741)
Gross Profit	**17,266**	**71%**	**10,092**
Distribution cost	(1,234)	265%	(338)
Administrative expenses	(739)	77%	(417)
	15,293	**64%**	**9,337**
Finance cost	(5,774)	88%	(3,063)
Other operating expenses	(506)	58%	(320)
	9,013	**51%**	**5,954**
Other operating income	67	50%	134
Profit Before Tax	**9,081**	**49%**	**6,088**
Taxation	(2,969)	51%	(1,971)
Profit for the year	**6,111**	**48%**	**4,117**

Directors' Report

Arif Habib
Chairman

"On behalf of the Board of Directors of Fatima Fertilizer Company Limited, I am pleased to present the Annual Report of your Company and the audited financial statements for the year ended December 31, 2012 together with auditors' report thereon and a brief overview of financial and operational performance of the Company."

Fertilizer Market Review

Domestic fertilizer market

In 2012 unprecedented gas curtailment on the SNGPL network led to sharp decline in production on all the four plants based on this network. The partial curtailment on the plants on Mari gas field also continued and consequently they were unable to produce to their full potential. The Government continued to import fertilizer above the national requirement costing the country in both foreign exchange outflow and hefty subsidy to mitigate the difference between international and local prices of Urea. By the commencement of Kharif, record inventories had piled up.

The fertilizer market in 2012, however, exhibited a mixed trend. The Nitrogen market continued to decline for the third consecutive year and urea off take further shrank by 12% in 2012 from 5.9 million tons to 5.2 million tons. The major shortfall up to the year end was in Kharif. The lower acreage on BT cotton due to extended winter in early 2012 coupled with high prices of Urea and weakening of cotton prices in mid-year resulted in demand destruction. The Rabi season also commenced with weak demand in October and November but there was a year-end rally following the late announcement of the support price increase for wheat by the Government. This spurred Urea purchasing with significant sales in December. On the other hand the phosphate market for DAP increased by 7% over the previous year primarily due to increased volumes in the first half of 2012-2013 Rabi season. This increase, however, was not sufficient by any measure, to recover the usage decline which commenced in 2010. The marginal improvement in DAP sales was despite the world prices of the fertilizer hovering around the USD600 mark for most part of the year. Softening of DAP prices commenced in the last months of 2012, too late for any advantage to be passed on to the farmer.

Company performance

The Company sales generally remained in line with the production for the year in the nitrogenous fertilizers. CAN sales at 350 thousand tons were down 3.7% compared to last year (trial production and commercial production combined) and were impacted partially by the decline in the size of the nitrogen market and also by the late wheat sowing in almost all parts of the country and particularly in the cotton belt. Urea sales stood 339 thousand tons where

Directors' Report

we cleared all production for the year. NP sales showed a significant growth of 275% over 2011 with 295 thousand tons sales. This increase in sales was on the back of improved availability, a strong growth of our retail network, particularly targeting the smaller dealer, supported by an aggressive farmer promotion campaign and a focused technical service program in weak NP usage belts. The Company also benefited partially from the drop in Pakarab Fertilizers production of the same product. The Nitric Acid business launched last year grew significantly in 2012 by almost 250%, and Fatima Fertilizer is now the preferred supplier in the dairy and metallurgy sectors.

The 'Sarsabz' brand building strategy launched in 2011 continued with both product specific and portfolio communication throughout the year. Research has confirmed that our recall rates from the target audience are well above the norms for new launches in any category. There was a significant focus on driving NP growth during the year and two successful farmer campaigns were run in Kharif and Rabi with positive impact on sales and brand recognition. We also embarked, for the first time, to promote our Sarsbaz Urea to reinforce our message of providing nutrient solutions for all crops, at all stages and for all types of soils. Our focus on the channel was to strengthen our position in the retail network, targeting the small dealer, whilst continuously growing the overall reach. This has led to consolidation of our position in the channel and establishing positions in regional markets hitherto unattended.

The aggressive targets set to reach the farmer were met at all levels as was the initiative to work with government agricultural institutes. The focus of our technical team was to work with farmers in areas and crops where NP and CAN had low usage. Apart from the traditional farmer visits, seminars and demonstration plots, farmer registration was initiated at the national level to leverage direct contact. Similarly extensive trials were conducted with the Government agencies to demonstrate the unique benefits of our products in increasing yields and seek approval for farmer recommendation.

Financial Performance Review

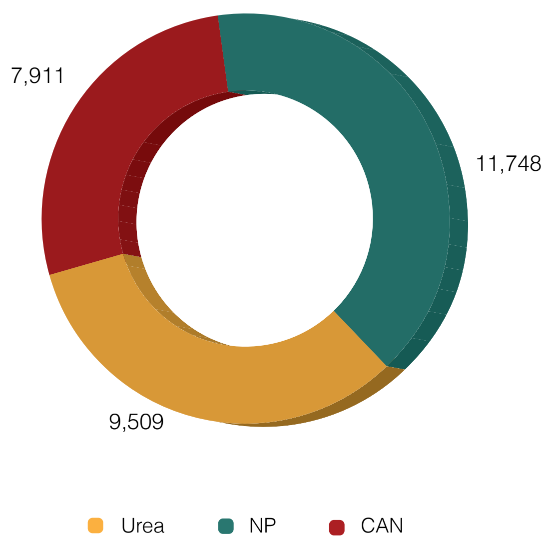
Your Company improved its financial performance on the back of increased demand for CAN and NP, healthy cash generation, effective utilization of resources and reduction in the SBP base rate despite challenging industry dynamics like imposition of gas development surcharge, continuous gas curtailment, availability of imported fertilizer at heavily

subsidized prices and ever increasing cost of doing business.

With immense pleasure and pride we announce that your Company reported net revenue of PKR 29.52 billion which translated into a net after tax profit of PKR 6.11 billion and EBITDA of PKR 16.36 billion. Current year revenue showed an increase of 99% over last year mainly due to full year operations this year as against six months commercial operations during 2011. Increased production and strong demand of NP facilitated the topline product with highest contribution of 41% whereas Urea and CAN contributed 33% and 26% in the sales respectively.

During the year, production targets were affected insignificantly due to a minor fire incident at ammonia plant which affected some of the instrumentation on one of the compressors. The initial estimated outage was of around 9 days, however, the opportunity was utilized to carry out some additional maintenance activities which was originally planned for later in the year, therefore, production closure extended to 25 days. The overall effect on the production target was less than 5%.

Sales Mix
(PKR Million)



Directors' Report

Plant wise production for the year 2012 is as follows:

Plant	Production Jan to Dec 2012 ("000" M. Tons)	Production Jan to Dec 2011 ("000" M. Tons)	Capacity Utilization Jan to Dec 2012 (%)	Capacity Utilization Jan to Dec 2011 (%)
Urea	339	427	68	85
CAN	374	355	89	85
NP	262	143	73	59
Ammonia	423	426	87	85
NA	398	325	84	65

Your Company registered an increase in gross profit of PKR 7.2 billion over last year, however gross profit ratio declined by 9.5% to 58.5% (2011: 68.0%) mainly due to the increased costs of raw materials on account of exchange rate and gas prices escalation by 2% in Feed and 18% in Fuel over last year in addition to imposition of Gas Infrastructure Development Charge.

Distribution cost moved broadly in line with the revenue and management's strategy to strengthen its Brand and increased sales network to facilitate growth. Transportation and freight expense increased due to increase in POL prices generally.

Your Company utilized most effectively the cash generated during the year and reduced the financial cost by 1.1% to 19.6% (2011: 20.7%). This saving was the result of early repayment of higher rate loans and restructuring of its debt profile with lesser rate loans.

During the year the Company recognized additional deferred tax liability of PKR 3.21 billion which represents taxable temporary difference arising mainly due to difference in accounting and tax base of fixed assets of the Company.

As a result, net of tax profit for the year was recorded at 20.7% (2011: 27.8%) to the sales. Return on equity surged to 21% (2011: 15%), after tax Return on assets improved to 8% (2011: 5%) and EPS improved to PKR 2.86 (2011: PKR 1.90).

Financial Highlights	2012 PKR Million	2012 %	2011 PKR Million	2011 %
Turnover	29,519		14,833	
Gross Profit	17,266	58.5	10,092	68.0
EBITDA	16,357	55.4	9,862	66.5
Profit After Tax	6,111	20.7	4,117	27.8
Earnings Per Share (PKR)	2.86		1.90	

Appropriations

Appropriations during the year were as follows:

	PKR in '000
Unappropriated profit brought forward	3,264,865
Dividend - 2011	(3,000,000)
	264,865
Net profit for the year 2012	6,111,119
Profit available for appropriations	6,375,984
Appropriations	
Dividend on Preference Shares	(215,630)
Unappropriated profit carried forward	6,160,354

Post Balance Sheet Events

The Board of Directors in its meeting held on January 30, 2013 has proposed a final Cash Dividend @ PKR 2 per share i.e. 20% for the year ended December 31, 2012 for approval of the members at the Annual General Meeting to be held on March 30, 2013. The financial statements do not reflect this proposed dividend.

Debt Equity &
Fixed Capital Expenditure

Directors' Report

Financial Management

During Financial Year 2012, your Company fortified its financial management system by placing various control systems. Proactive forecasting of cash requirements has empowered the Company to take advantage of both internal and external sources effectively. In line with the cash flow generation and future forecast, management decided to retire early its expensive PKR 10 billion debt by swapping it with PKR 6 billion lower mark-up rate loan and balanced it with internally generated funds. Moreover, the Company also redeemed 50% of the Preference Shares at par and converted remaining 50% into Ordinary Shares at a value of PKR 20 per share. Effective financial strategies of the Company also lead to replacement of sub-ordinated loan from an associated company with syndicated loan arrangement of PKR 5.4 billion. Mark up payment of PKR 6.5 billion and Dividend distribution of PKR 3.0 billion were also made during the year.

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has maintained long term entity rating of A+ and short term rating of A1 with a positive outlook to your Company. These ratings denote low expectations of credit risk emanating from a strong capacity for timely payment of financial commitments.

Contribution to National Exchequer and Economy

An amount of PKR 5,210 million (2011: PKR 2,783 million) was contributed during the year in respect of Custom duties, Sales tax and Income tax.

Statement as to the Value of Investments of Provident and Gratuity Funds

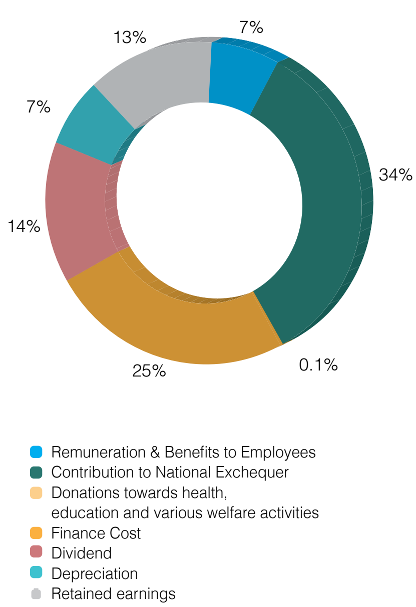
The value of the investments of the provident fund and gratuity fund is PKR 162.81 million and PKR 84.35 million respectively.

Observation in Auditors' Report

The Company has complied with all the requirements pertaining to redemption of the Preference Shares. The auditors without qualifying their opinion have highlighted in their report that the Company has not created capital redemption reserve fund due to inconsistency between the requirements of IFRSs and the Companies Ordinance, 1984 and has followed IFRSs. This has been fully explained in note 6 to these financial statements.

	2012 PKR Million	Distribution %	2011 PKR Million	Distribution %
Wealth Generated				
Gross revenue and other income	34,261	151%	16,604	135%
Materials and services bought in	11,522	51%	4,370	35%
	22,807	**100%**	**12,368**	**100%**
Wealth Distributed				
Remuneration and benefits to employees	1,706	7%	711	6%
Contribution to national exchequer	7,712	34%	3,741	30%
Donations towards health, education and various welfare activities	18	0%	24	0%
Finance cost	5,774	25%	3,063	25%
Dividend on ordinary and preference shares	3,216	14%	321	3%
Retained for future growth				
Depreciation	1,486	7%	711	6%
Retained earnings	2,895	13%	3,796	31%
	22,807	**100%**	**12,368**	**100%**

Wealth Generated and Distribution



Directors' Report

Operational Review

Year 2012 proved to be quite challenging. The first half of the year was fairly successful and all planned targets of first half were achieved. While the second half was very challenging due to number of operational problems faced during August – October 2012 period on Ammonia Plant. All of these problems were handled effectively and massive efforts were put in by Site team to increase the reliability of Complex. As a result, the 4th Quarter results were fairly good. NP Plant achieved the planned yearly production. While Urea and CAN Plants remained consistent throughout the year. After installation of dehumidification unit, CAN Plant load increased to 90% in summer season as well.

As a result of major efforts, consistent improvement in HSE Performance was noticed. The year-end 'Total Recordable Injury Rate' (TRIR) was 0.22. The HSE road map for next four years prepared to achieve excellence level has also been put in place. The 'Integrated Management System' (IMS) certification preparations are progressing well, third party Gap Analysis audit is being planned in 1st quarter of 2014.

Values and Behaviors

"Culturing the Business DNA"
Last year, your Company defined its 7 core business values and their relevant behaviors. These are the values that Fatima Fertilizer epitomize, and are reflected in all ways of working.

Fatima Fertilizer Core Values are:

- Integrity
- Innovation
- Teamwork
- Safety, Health, Environment & CSR
- Customer Focus
- Excellence
- Valuing People

CEO addressing the Values and Behaviors Launch Event

During a rich process of discussion and debate, the Company measured and described the values that are held critical in its operations. These values provide a clear and concise direction that all stakeholders namely shareholders, employees, customers and society can understand and identify with.

After defining the 7 Core Business Values and their relevant behaviors, Fatima Fertilizer entered into the next phase; the embedding plan. In order to bring these values to life, the embedment plan was formally initiated; all the business functions nominated Value Champions who conducted workshops and initiated discussion sessions on the importance of values and how they can be effectively incorporated into the business DNA. With an aim to keep the embedding uniform, the same strategy was adopted across all business operations.

Furthermore, a Business Strategy Review Committee has been formed which will evaluate and take required action on the feedback provided by the value champions.

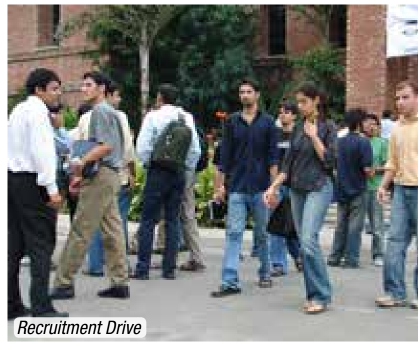
Strongly believing in the fact that core values are central to the long term plan of an organization, your Company is making all possible efforts of smooth implementation of the Fatima Fertilizer Values.


Fatima Group Scholarship Program at UET


Values & Behaviors "Functional Discussion Session"


CEO Inaugurating the Auditorium at LUMS


Farmer briefings


Recruitment Drive

Corporate Social Responsibility

Your Company is a socially responsible corporate entity with a goal to support the development of the communities in which it operates. We ensure that as the Company's business grows, the communities around it also grow. Playing its role in promoting sustainable growth and making a positive impact on the local economies, your Company has not just honored its previous commitments, but taken new initiatives in various areas to fulfill its responsibilities towards the community and the country. Details of such initiatives are as under.

LUMS-National Outreach Program (NOP)

Further to last year's commitment to the institution, LUMS, your Company enhanced the number of NOP scholarships from 4 to 8 in 2012 and paid PKR 4.8 million towards this cause. The objective of the LUMS NOP program which was launched in 2001 is to provide free of cost education to the deserving youth of Pakistan.

Infrastructural Support of LUMS

An amount of PKR 8 million has been contributed for infrastructure development at LUMS Suleman Dawood School of Business. An auditorium has been built and regular classes are being conducted.

Scholarship Program at UET Lahore; Furthering the cause of education through Talent Development

In its commitment of developing national talent, your Company initiated a scholarship program to support deserving students in achieving higher education. For this an agreement was signed with The University of Engineering and Technology, Lahore. Under the agreement Fatima Fertilizer Company Limited will support 4 students every year (two students from Chemical and one each from Mechanical and Electrical Engineering disciplines).

Established in 1921, UET is the oldest Engineering Institute and ranked number 1 in Public Sector Engineering University in Pakistan.


Values and Behaviors Launch Event at Plant Site

Directors' Report

Sarsabz School Adoption Program, agreement signing ceremony

Open House Ceremony at GIK Institute of Technology


Chairman talking to participants of CFA Institute Research Challenge

Sarsabz School Adoption Program-Fatima joins hands to empower through education

Addressing the issue at the grass root level, Your Company has joined hands with Care Foundation to empower through education. An agreement was signed on 30th November, 2012 for adoption of 3 Government Primary Schools in Sadiqabad, District Rahim Yar Khan. In line with its vision and mission, the Company is continuously working on the improvement of society in general and the local communities in specific.

CARE Foundation is a leading NGO that has pioneered a unique private public sector concept for providing free quality education to the masses. Their model of adopting government schools has proven that a cost effective sustainable model can be put in place for rapidly improving quality of education amongst a greater number of students. Under the agreement, your Company will sponsor all expenses of 3 Government Primary Schools which will include both Infrastructure Development and Running Expenses for a minimum of 15 years.

Fatima Fertilizer Company Limited – Representation in the Board of Governors, National Management Foundation (NMF), parent body of LUMS.

Your Company's CEO, Mr. Fawad Ahmed Mukhtar, has been selected as a member of Board of Governors; National Management Foundation (NMF), the parent body of LUMS. The National Management Foundation (NMF) was incorporated in November 1984 and was granted a charter by the Government of Pakistan for establishing the University in March 1985.

The Board of Governors of the NMF, being the sponsors of LUMS, raises the necessary funds for the University's operations and meets its infra-structure requirements. Members of the Board of Governors of the NMF are representatives of the business community and form a crucial link between the University and the business world.

Being a responsible citizen, your Company strongly believes in supporting the development of the country, be it in the form of nurturing talent, sustaining the environment or any other way.

EID get-together

Recruitment Drive in UK with British Council

Employees at Green Day "Celebrating 14th August"

Management Trainee Officers - 2012 Batch

Training Participants at Plant Site

Human Resource Management

Your Company strongly believes in growing business by growing people. Your Company fully understands the importance of skilled and developed human resource towards the success of any organization. Hence, following the best practices, your Company undertook various steps to add value to its current HR practices and structure.

Introducing HR Service Delivery

Your Company has achieved a milestone by introducing HR services delivery in the business in 2012, which is the core of human resources. This domain will allow the Company to leverage economies of scale by consolidating resources and streamlining processes through effective use of technology and a simplified hierarchy of service delivery. In addition, it will lower the HR's administrative burden, freeing HR professionals to devote time to strategic and value-added activities.

HR service delivery is not merely a way to get pay benefits and other services to employees. Rather, its a method for helping an organization meet a variety of key business and financial goals. When properly planned and executed, good HR service delivery advances the overall goals of the organization and helps free HR to offer a higher level of value to the organization.

Directors' Report

Advancing technologically

The year 2012 marks your Company's transition towards embracing a paper free environment. "Online Performance Management System" was launched across the Company. Performance Management is the corner stone of every organization as it provides means to assess and manage contribution, performance and development of each and every individual. Having an online Performance Management System will not only centralize your Company's data by providing easy access to individuals but would also allow to keep a check on the deadlines thereby increasing the process efficiency. Such facilities will put the Company at par with the best practices followed across the globe.

Performance Management

The aim of this policy is to foster a performance driven culture, which values the contribution of your Company's employees.

Mid-Year Performance Review

In connection with inculcating a performance based culture, the Company launched a Mid-Year Performance Review in June 2012 to CONNECT as teams, REVIEW the annual objectives and REALIGN the annual objectives, if so required. This platform also provided an opportunity to identify Key Development Needs in Functional or Soft skills.

The Mid-Year Review aims at recognizing the employee's progress and accomplishments and reinforce the path to goal achievement, commend high performers and devise an action plan for under performers and to develop a performance driven culture, which supports and values employee contribution across the board.

Defining Roles

Your Company is committed to enhancing human capital development and a number of wide ranging initiatives were undertaken in 2012 in the context of Organizational Development.

HR Policies

The following policies pertaining to strategic organizational development were developed, approved and implemented during the year 2012:

Career Progression

This policy is designed to provide our employees an equal opportunity to continuously build their capabilities and thus grow to their maximum potential.

Other polices such as; Succession Planning are in the development phase and will be completed by the first quarter of 2013.

The policies in question have been developed in order to ensure open communication, ascertain transparency in HR procedures and as a significant step towards employee engagement.

Job Description / Role Clarification

A comprehensive Role Clarification initiative has been concluded across the board. The primary objective of this detailed exercise was to assess the job size of key Management Roles in each department across the Business. The aim is to develop comprehensive Job Descriptions for unique benchmarked positions within every function.

Adhering to international best practice, these job descriptions are a clear and concise representation of the knowledge, skills, accountabilities and KPIs associated with each role.

HR Process Maps and Forms

In addition to the above, operational HR processes have been mapped, thereby ensuring consistency, adherence and effective administration. Along with this, all HR forms have been revamped based on best practice and customized to Company needs with a view to simplify processes and enhance service delivery.

Capability Building

Our employees are our brand ambassadors. Fatima Fertilizer wants to develop a skilled work force that can achieve organizational as well as individual goals. The diagram below depicts the framework developed to accomplish this task.

Celebrating Independence Day

Capability Building Framework

Junior Management
- Communication Skills
- Basic Managerial Skills
- Problem Solving & Decision Making
- Time & Stress Management
- Conflict Management

Middle Management
- Emotional Intelligence
- Leadership Competency (C&G Model)
- Building High Performance Teams
- Problem Solving & Decision Making
- Negotiation & Conflict Management
- Change Management

Senior Management
- Media Management
- Strategic Planning
- Leadership Development (External/Foreign Trainers)

Other Trainings
- Interviewing Skills
- Objective / Goal Setting
- Functional / Developmental Trainings

Directors' Report


Participants in a Training Program

Training and Development

In its commitment to investing in human capital, a number of trainings were conducted by your Company this year.

Soft Skills Trainings

Communication skills
Customer services
HIRE THE BEST – Interviewing skills
Leadership excellence
Leadership the 8th habit
Managerial skills

Functional Trainings

Personal effectiveness
Selling skills
Dreaded appraisal
Effective financial presentations
EQ
Excellence in excel
Finance for non-financial management
Human capital measurement
Internationally certified supply chain
Lead auditor
Leadership care and growth
Practitioner
Proactive recruitment
Return on training investment
Risk based audit
Risk management
Service delivery
Smart objectives
Training evaluation and ROI assessment
Media management
Project management
Management innovation program
Professional personal assistant

Total Trainings Held: 80
Total Training Days: 268
Total Training Man hours: 17152
Total Training Man Days: 2144
Total % of manpower trained (Non-unique): 203%
Total Number of Management employees:
Fatima Fertilizer Company Limited: 436
248 shared resources


Participants in a Training Program



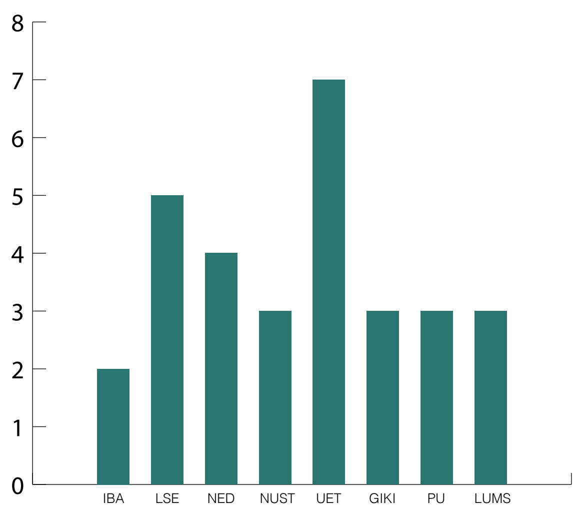
Recruitment tests at Universities & Company Presentation

Recruitment 2012

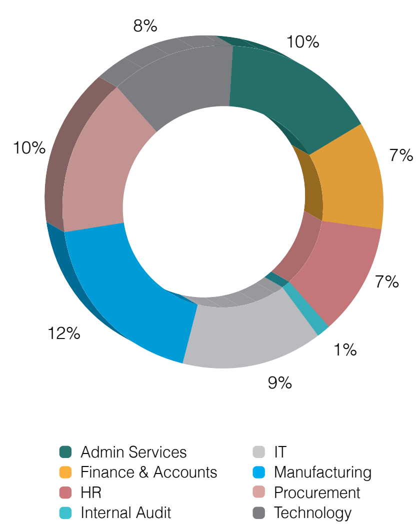
Fatima Fertilizer aspires to be the employer of choice. 2012 has been an amazing year for the Company as far as the recruiting young talent is concerned. Your Company takes pride in providing Pakistan's top talent with the opportunities and trainings they require to nurture their skills and add to their professional growth development.

The Company conducted campus drives in leading institutions like LUMS, IBA, LSE, NUST, NED, UET, GIK and Punjab University to identify potential Management Trainee Officers (MTOs) and Graduate Trainee Engineers (GTEs) who were finally brought on board after a rigorous and competitive hiring process.

Hiring from the Best



Lateral Hiring



Directors' Report

Happy people-Engaged employees

Fatima Fertilizer Company Limited provides a safe, happy, comfortable and appealing work environment. That is precisely the reason why the attrition rate at your Company is well below the market. Fatima treats its employees like family. Hence happy and engaged employees; resulting in better productivity.

Information Technology Review

After successful implementation of the core Oracle ERP system last year, in 2012 many additional Oracle modules were introduced which included:

- Oracle Process Manufacturing (OPM) – OPM was implemented to provide consistency throughout the production cycle by providing tight control over ingredients and processes along with complete visibility of plant operations.

- Oracle Enterprise Asset Management (eAM) – eAM was introduced with the objective of automation of manual stand-alone maintenance systems. It also helps in managing the full asset lifecycle resulting in improvement of organization's performance.

- Oracle Payroll – It is a high-performance; graphical, rules-based payroll management system that is designed to keep pace with the changing needs of the organization and has reduced the set-up costs and administrative time.

- Oracle Performance Management – It has provided the management a robust functionality of aligning the objectives and goals of employees to the organizational goals and improving strategy execution.

Along with the introduction of above modules, after successful launch of EDN and WAN Regional Sale Offices were brought online. It helped in online data entry of sale transactions in integrated Oracle Sales System resulting in reduction of administrative time, efficient cash flow processing and providing segregation of duties and better controls.

On the IT Security and Infrastructure side, Enterprise Data Network (EDN) connecting various sites (Head Office, Site, Regional Offices, Warehouses etc.) over Secure MPLS WAN cloud was successfully made live in 2012. EDN has helped in establishing a secure Data Network Infrastructure for all the locations and acts as the information backbone of the organization, on which all traffic (voice, data, video, etc.) is managed while providing streamlined operations, creating a resilient and low-latency network with high quality end-user experience. Wide Area Network (WAN) is the part of EDN and forms all the physical media links required to connect the sites.

Centralized Authentication Services along-with consolidation of Internet Services was also successfully accomplished in 2012. The Centralized Authentication Services provide secure logging mechanism for all users at various sites while ensuring confidentiality, integrity and availability triad. Furthermore, Internet Usage is now being managed centrally using state of art perimeter protection suites and centralized policies are being applied across the users at various sites.

In addition the Enterprise Email Services with Microsoft Exchange 2013 was also successfully launched during the year. It provides robust and efficient email system for the users. New email setup brought a new rich set of technologies, features, and services while lowering the total cost of ownership.

Explore and Expand

Directors' Report

Code of Corporate Governance

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

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

Mr. Haroon Waheed receiving the Corporate Excellence Award from the Governor of Punjab

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; and

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

Changes in the Board

During the year under review, there has been no change in the Board members.

Changes in the Audit Committee

During the year under review, there has been no change in the audit committee members.

Changes in the Human Resource and Remuneration Committee

Mr Jørgen Nergaard Gøl was appointed as a member of the Human Resources and Remuneration Committee on March 9, 2012 in place of Mr Muhammad Jawaid Iqbal. The statutory composition of the Committee remained intact with this change.


Fatima Group Team with Corporate Excellence Award

Board and Committees' Meetings and Attendance

During the year under review, six meetings of the Board of Directors, one meeting of the Human Resource and Remuneration Committee and five meetings of the Audit Committee were held from January 01, 2012 to December 31, 2012. The attendance of the Board and Committee members was as follows:

Name of Director	Board Meetings	Audit Meetings	HR and Remuneration Committee Meetings
Mr. Arif Habib	6	N/A	N/A
Mr. Fawad Ahmed Mukhtar	6	N/A	N/A
Mr. Fazal Ahmed Sheikh	6	4	N/A
Mr. Faisal Ahmed Mukhtar	1	1	1
Mr. M. Abad Khan	6	2	1
Mr. Jørgen Nergaard Gøl	4	N/A	1
Mr. Muhammad Kashif Habib	4	4	-
Mr. Amir Shehzad	4	2	N/A

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

Pattern of Shareholding

The detailed pattern of the shareholding and categories of shareholders of the Company as at December 31, 2012, as required under the listing regulations, have been appended to the Annual Report on page 90.

Trading in Shares of the Company by Directors and Executives

No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children except the following:

Name	Designation	Shares Bought	Shares Sold
Mr. M. Abad Khan	Director	154,000	-

Directors' Report

Financial Highlights

Key operating and financial data of previous years has been summarized on page 22.

Audit Committee

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

Human Resource and Remuneration Committee

The Board has constituted a Human Resource and Remuneration Committee to ensure a human resources strategy aligned to the overall corporate strategy and a remuneration policy that will create value for the shareholders. The committee composition and its terms of reference have also been attached with this report.

Corporate and Secretarial Compliance

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

Code of Conduct

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

Auditors

M. Yousuf Adil Saleem & Company Chartered Accountants, retiring auditors of the Company, being eligible offer themselves for re-appointment. The Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 10th Annual General Meeting, as auditors of the Company for the year ending December 31, 2013 at a fee to be mutually agreed.

Future Outlook

The Year 2013 has started with minimal inventory of fertilizers with manufacturers though NFML held Urea inventory of 396 thousand tons. The outlook for the Industry looks satisfactory provided the government imports are managed judiciously.

Your Company has taken measures to avoid production losses and has been able to repay debts significantly. This together with reduction in interest rate would help growth in the profitability of the Company during the Year 2013. Studies for increasing Ammonia capacity from 1500 to 1800 tons per day have been completed. Implementation of these studies is to start soon and is expected to be completed in early 2015. This will help in utilization of full production capacities of Urea, CAN and NP.

The Board has approved an investment of USD 150 million to acquire 31 percent shareholding in Midwest Fertilizer USA over a period of next 3 years. The Company is participating in a global consortium to set up a nitrogen fertilizer plant in the State Indiana, USA. The State has sanctioned USD 1.26 billion worth of Tax Exempt Municipal Bonds to support the project which have since been marketed in the US Bond market.

The plant's production capacity will be 1.5 million tons annually which will cater for the domestic as well as future international demand. The main investment driver for this project is the long term availability of gas at historical low prices due to the shale gas phenomenon.

In view of above the Company is expected to register growth in short and medium term.

Acknowledgements

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

For and on behalf of Board

Karachi
January 30, 2013

Arif Habib
Chairman

Attachment To The Directors' Report

To All Members of The Company

Dear Sir / Madam,

ABSTRACT OF THE TERMS OF APPOINTMENT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of section 218 of the Companies Ordinance, 1984, this is to inform you that the Board of Directors of the Company has approved the remuneration structure payable to Mr Fawad Ahmed Mukhtar-CEO and Mr Fazal Ahmed Sheikh-Director of the Company with effect from January 1, 2013 on the salary, allowances and perquisites as under:

Salary: Rs. 1.2 Million (Rupees Twelve Hundred Thousand Only) net of taxes per month.

In addition to above, they shall also be entitled to bonuses as per the rules / policies of the Company. Following perquisites shall also be provided to them:

- The Company shall reimburse expenditure incurred towards electricity, gas, water charges and other utility expenses.
- The Company shall provide and maintain cars, mobile and telephone at office and residence for official and personal use. Payment of club fees and all actual entertainment expenses at the club or about the business of the Company shall be reimbursed.
- Medical expenses and travelling expenses for self and family at actual shall be reimbursed.
- Any other allowances, benefits and perquisites as per the rules / policies of the Company and / or which may become applicable in the future and / or any other allowances, perquisites as the Board may from time to time decide.

Memorandum Under Section 218 Of The Companies Ordinance, 1984

Mr. Fawad Ahmed Mukhtar and Mr. Fazal Ahmed Sheikh are concerned / interested in fixation of their remuneration to the extent mentioned above and upto the extent of their shareholdings in Fatima Fertilizer Company Limited. No other directors are concerned / interested in this respect.

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2012

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

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

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

Category	Names
Independent Director	1. Mr. Jørgen Nergaard Gøl
Executive Directors	1. Mr. Fawad Ahmed Mukhtar
	2. Mr. Fazal Ahmed Sheikh
	3. Mr. M Abad Khan
Non-Executive Directors	1. Mr. Arif Habib
	2. Mr. Faisal Ahmed Mukhtar
	3. Mr. Muhammad Kashif Habib
	4. Mr. Amir Shehzad - Nominee NBP

The independent director meets the criteria of independence under clause i (b) of the CCG.

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

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

4. No casual vacancy occurred on the Board during the year.

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

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

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

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

9. The board arranged in-house one training program for its directors during the year to acquaint them with the Code. Further, one director, Mr. Muhammad Kashif Habib has obtained certification of the Pakistan Institute of Corporate Governance.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit were made after the revised CCG has taken effect. However, the board has approved their appointment, remuneration and terms and conditions of employment.

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

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

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

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

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

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

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

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

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

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

Karachi
January 30, 2013

Fawad Ahmed Mukhtar
Chief Executive Officer


Nourishing Soils, Enriching Lives
سرسبز
NP-CAN-UREA
For all soils, all crops
and all stages
Nitrogen 46%
Nitrogen 22%
Nitrogen 26%
Fatima
Fertilizer Company Limited
زمین کی جان - فصل کی شان

Financial Statements

Fatima Fertilizer Company Limited

for the year ended December 31, 2012

Review Report to the Members

on statement of compliance with best practices of code of corporate governance

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

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

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

Further, Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transaction by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

M. Yousuf Adil Saleem & Co

Engagement Partner: Talat Javed
January 30, 2013
Lahore

Auditors' Report to the Members

We have audited the annexed balance sheet of Fatima Fertilizer Company Limited (the Company) as at December 31, 2012 and the related profit and loss account, statement of other comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) In our opinion–

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

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

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

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

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

We draw attention to the contents of note 6 to these financial statements. As fully explained in the said note, the Company has not created capital redemption reserve fund due to inconsistency between the requirements of IFRSs and the Companies Ordinance, 1984. Our opinion is not qualified in respect of this matter.

M. Yousuf Adil Saleem & Co.

Engagement Partner: Talat Javed
January 30, 2013
Lahore

Balance Sheet
as at December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,100,000,000 (2011: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
400,000,000 (2011: 400,000,000) preference shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital			
2,100,000,000 (2011: 2,000,000,000) ordinary shares of Rs 10 each	5	21,000,000	20,000,000
Nil (2011: 400,000,000) preference shares of Rs 10 each	6	-	4,000,000
Share premium		1,790,000	790,000
Accumulated profit		6,160,354	3,264,865
		28,950,354	28,054,865
NON CURRENT LIABILITIES			
Long term finance	7	27,023,742	34,457,218
Dividend and markup payable to related parties	8	2,917,615	2,217,219
Deferred liabilities	9	4,841,255	1,807,018
		34,782,612	38,481,455
CURRENT LIABILITIES			
Trade and other payables	10	4,996,727	4,650,956
Accrued finance cost	11	499,478	1,890,932
Short term finance - secured	12	2,690,246	-
Current portion of long term finance	7	4,085,379	3,032,833
Provision for taxation		-	236,207
		12,271,830	9,810,928
CONTINGENCIES & COMMITEMENTS	13		
		76,004,796	76,347,248

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

Chief Executive

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	65,882,892	66,827,913
Intangible assets	15	33,881	-
Capital work in progress	16	1,662,461	1,287,735
		67,579,234	68,115,648
Long term Investments	17	85,190	-
Long term deposits		11,361	5,481
		67,675,785	68,121,129
CURRENT ASSETS			
Stores and spares	18	3,230,805	1,930,679
Stock in trade	19	2,507,927	1,215,014
Trade debtors	20	138,480	195,840
Loans, advances, deposits, prepayments and other receivables	21	1,467,655	1,045,225
Cash and bank balances	22	984,144	3,839,361
		8,329,011	8,226,119
		76,004,796	76,347,248

Director

Profit and Loss Account

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	23	29,518,623	14,833,343
Cost of sales	24	(12,252,427)	(4,740,961)
Gross profit		17,266,196	10,092,382
Distribution cost	25	(1,233,944)	(337,946)
Administrative expenses	26	(738,792)	(417,225)
		15,293,460	9,337,211
Finance cost	27	(5,773,821)	(3,063,055)
Other operating expenses	28	(506,135)	(320,398)
		9,013,504	5,953,758
Other operating income	29	67,033	133,810
Profit before tax		9,080,537	6,087,568
Taxation	30	(2,969,418)	(1,970,593)
Profit for the year		6,111,119	4,116,975
Earnings per share - basic (rupees)	32	2.86	1.90
- diluted (rupees)		2.86	1.85

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

Chief Executive **Director**

Statement of Comprehensive Income
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Profit for the year		6,111,119	4,116,975
Other comprehensive income		-	-
Total comprehensive income for the year		6,111,119	4,116,975

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

Chief Executive

Director

Statement of Changes in Equity
for the year ended December 31, 2012

	Ordinary share capital	Preference share capital	Share premium	Accumulated profit / (loss)	Total
	(Rupees in thousand)				
Balance as at December 31, 2010	**20,000,000**	**4,000,000**	**790,000**	**(531,220)**	**24,258,780**
Profit for the year	-	-	-	4,116,975	4,116,975
Other comprehensive income	-	-	-	-	-
	-	-	-	4,116,975	4,116,975
Dividend on preference shares	-	-	-	(320,890)	(320,890)
Balance as at December 31, 2011	**20,000,000**	**4,000,000**	**790,000**	**3,264,865**	**28,054,865**
Profit for the year	-	-	-	6,111,119	6,111,119
Other comprehensive income	-	-	-	-	-
	-	-	-	6,111,119	6,111,119
Transactions with owners:					
- Final dividend for the year ended December 31,2011 @ Rs 1.5 per share	-	-	-	(3,000,000)	(3,000,000)
- Conversion of 200,000,000 preference shares into ordinary shares @ Rs 20 per share	1,000,000	(2,000,000)	1,000,000	-	-
- Redemption of 200,000,000 preference shares at par	-	(2,000,000)	-	-	(2,000,000)
Dividend on preference shares	-	-	-	(215,630)	(215,630)
Balance as at December 31, 2012	**21,000,000**	**-**	**1,790,000**	**6,160,354**	**28,950,354**

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

Chief Executive **Director**

Cash Flow Statement
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	13,770,485	10,921,854
Finance cost paid		(6,531,930)	(3,165,837)
Taxes paid		(285,082)	(281,917)
Employee retirement benefits paid		(11,976)	(8,499)
Net cash from operating activities		6,941,497	7,465,601
Cash flows from investing activities			
Fixed capital expenditure		(949,218)	(385,831)
Long term investment		(85,190)	-
Finance cost paid		-	(3,311,446)
Proceeds from disposal of property plant and equipment		3	395
Net proceeds from disposal of short term investments		-	2,233
Net (increase) / decrease in long term loans and deposits		(5,880)	27,679
Profit received on saving accounts		75,540	30,128
Net cash used in investing activities		(964,745)	(3,636,842)
Cash flows from financing activities			
Redemption of preference shares		(2,000,000)	-
Repayment of long term finance			
- lender facilities		(12,363,032)	-
- related party		(4,515,565)	-
Proceeds from long term finance		10,497,667	43,521
Dividend paid			
- ordinary shares		(2,992,706)	-
- preference shares		(148,579)	-
Increase / (decrease) in short term finance - net		2,690,246	(316,208)
Net cash used in financing activities		(8,831,969)	(272,687)
Net (decrease) / increase in cash and cash equivalents		(2,855,217)	3,556,072
Cash and cash equivalents - at beginning of the year		3,839,361	283,289
Cash and cash equivalents - at end of the year		984,144	3,839,361

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

Chief Executive **Director**

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

1. Legal Status and nature of business

Fatima Fertilizer Company Limited ('the Company'), was incorporated in Pakistan on December 24, 2003 as a public company under the Companies Ordinance, 1984. On March 08, 2010 the Company got listed on Karachi, Lahore and Islamabad Stock Exchanges.

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

The following standards, amendments and interpretations are effective for the year ended December 31, 2012. 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.

Standards / Amendments/Interpretations	Effective date (accounting period beginning on or after)
- **Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets**	January 1, 2012

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

- **Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of Financial Assets**	July 1, 2011

The IASB issued an amendment to IFRS 7 on October 07, 2010. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entirety and transferred assets that are not derecognized in their entirety'.

2.3 New accounting standards / amendments 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.

Standards / Amendments / Interpretations	Effective date (accounting period beginning on or after)
- **Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income**	July 01, 2012

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

- **Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information** January 01, 2013

  This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- **Amendments to IAS 16 - Property, Plant and Equipment – Classification of Servicing Equipment** January 01, 2013

  This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- **Amendments to IAS 32 - Financial Instruments: Presentation – Tax Effects of Distributions to Holders of an Equity Instrument, and Transaction Costs of an Equity Transaction** January 01, 2013

  This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

- **Amendments to IAS 32 - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities** January 01, 2014

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

- **Amendments to IAS 34 - Interim Financial Reporting - Interim Reporting of Segment Information for Total Assets and Total Liabilities** January 01, 2013

  The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

- **Amendments to IFRS 7 - Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities** January 01, 2013

  These amendments require an entity to disclose information about rights to set off and related arrangements (for example collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are setoff in accordance with IAS 32.

- **IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine** January 01, 2013

  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to Non adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to Non adoption of IFRS 10 and IFRS 11

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

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

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

4.2 Employee retirement benefits

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

a) Defined benefit plan - Gratuity

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

The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2012. Projected unit credit method is used for valuation of the scheme.

The Company's policy with regard to actuarial gains / losses is to follow corridor approach under IAS 19 'Employee Benefits'.

b) Accumulating compensated absences

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

c) Defined contribution plan - Provident Fund

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

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to own manufactured assets includes direct cost of materials, labor and applicable manufacturing overheads. Cost also includes capitalized borrowing costs as referred to in note 4.14.

Depreciation on property, plant and equipment is charged to profit and loss account on the straightline 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 assets' residual values and useful lives are reviewed, at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

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

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

4.4 Capital work in progress

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

4.5 Intangibles

Computer software

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

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

4.6 Leases

The Company is the lessee.

Operating leases

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

4.7 Investments

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

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

Financial assets at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

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

4.8 Financial instruments

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

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

4.9 Offsetting of financial assets and liabilities

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

4.10 Stores and spares

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

4.11 Stock in trade

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

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

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.

4.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.13 Cash and cash equivalents

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

4.14 Borrowings and borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on such assets is deducted from the borrowing costs eligible for capitalization.

4.15 Related party transactions

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

4.16 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

4.17 Provisions

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

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

4.18 Derivative financial instruments

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

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

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

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

4.19 Impairment

Financial assets

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

Non financial assets

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

4.20 Revenue recognition

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

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

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

Interest income is recognized on a time apportioned basis using the effective rate of return.

4.21 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

5 Issued, subscribed and paid up ordinary share capital

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
2,100,000,000	2,000,000,000	Ordinay shares of Rs 10 each fully paid in cash	21,000,000	20,000,000

5.1 Movement in ordinary shares

2012	2011		2012	2011
2,000,000,000	2,000,000,000	Opening balance	20,000,000	20,000,000
100,000,000	-	Ordinay shares issued on conversion of 200,000,000 perference shares @ Rs 20 each	1,000,000	-
2,100,000,000	2,000,000,000	Closing balance	21,000,000	20,000,000

	2012	2011
	(Number of shares)	
5.2 Ordinary shares of the Company held by associates as at year end are as follows:		
Pakarab Fertilizers Limited	45,000,000	490,000,000
Reliance Weaving Mills Limited	2,625,166	5,706,260
Reliance Commodities (Private) Limited	178,450,033	161,795,190
Fazal Cloth Mills Limited	66,934,970	38,565,299
Fatima Sugar Mills Limited	290,447,036	210,821,423
Arif Habib Corporation Limited	376,634,206	260,634,203
	960,091,411	1,167,522,375

6 Preference share capital

6.1 Movement in preference shares

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
400,000,000	400,000,000	Opening balance	4,000,000	4,000,000
(200,000,000)	-	Redemption - at par	(2,000,000)	-
(200,000,000)	-	Conversion into ordinary shares @ Rs 20 each	(2,000,000)	-
-	400,000,000	Closing balance	-	4,000,000

6.2 On May 10, 2012, the Company has converted 200 million preference shares into 100 million ordinary shares at conversion price of Rs 20/- per share yielding a premium of Rs 1,000 million. The conversion price was agreed with the preference shareholders as the higher of Rs 20/- or at a discount of 20 percent to the weighted average quoted price of sixty days from the date of notice.

Ordinary shares issued in lieu of preference shares rank pari passu in every respect except they will not be eligible for the dividend declared by the Company for the year ended December 31, 2011.

On the same date, the Company has also redeemed 200 million preference shares at par according to the terms of the issue of preference shares.

There exists a conflict between relevant International Financial Reporting Standards (IFRSs) and the Companies Ordinance, 1984 (the Ordinance), on the classification of preference shares, whereby the preference shares may be treated as non current liabilities according to IFRS while as per the Ordinance these are treated as Equity.

The matter regarding the classification of preference shares (redeemable / convertible) in the financial statements either as non current liability or equity had already been referred to the Institute of Chartered Accountants of Pakistan (ICAP). After thorough examination of the matter, ICAP has identified the inconsistencies between the requirements of International Accounting Standard 32 “Financial Instruments: Presentation” and relevant sections of the Ordinance and has suggested to the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Ordinance and / or to issue clarification in order to remove these inconsistencies between the Ordinance and IFRSs.

The management is of the view that it is more appropriate that the redeemed preference shares be treated as non current liabilities in accordance with IFRS, therefore has opted not to create the capital redemption reserve fund.

		Note	2012	2011
			(Rupees in thousand)	
7	**Long term finance**			
	These are composed of:			
	Secured loans from Banking companies / Financial institutions:			
	Long Term Syndicated Loan (Senior Facility)	7.1	21,011,454	22,996,901
	Syndicated Term Finance Agreement - I (STFA - I)	7.2	5,600,000	-
	Syndicated Term Finance Agreement - II (STFA - II)	7.3	4,497,667	-
	Commercial Facility (CF)	7.4	-	4,496,000
	New Facility I (NF I)	7.5	-	3,562,585
	New Facility II (NF II)	7.6	-	1,919,000
			31,109,121	32,974,486
	Unsecured loans from Pakarab Fertilizers Limited (PFL) - the associate:			
	Bridge Finance (STFA)	7.8	-	2,037,500
	Term loan	7.9	-	2,478,065
			-	4,515,565
			31,109,121	37,490,051
	Less: Current portion		4,085,379	3,032,833
			27,023,742	34,457,218

7.1 Long Term Syndicated Loan (Senior Facility)

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

It carries markup at the rate of 6 months KIBOR plus 3.00% per annum. The effective rate of markup charged during the year ranged from 12.5% to 15.01% per annum (2011: 14.92% to 17.07% per annum).

In the event, the Company fails to pay the balances on due dates, mark up is to be computed at the rate of Re 0.342 (2011: Re 0.491) per Rs 1,000 per diem or part thereof on the balances unpaid.

The facility is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs 44,000 million, personal guarantees of the directors and pledge of shares of the Company owned by the sponsors.

During the year the company has paid the installments due of Rs 1,985 million.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

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

During the year the company has entered into Syndicated Term Finance Agreement - I (STFA - I) with a consortium of commercial banks / financial institutions led by National Bank of Pakistan aggregating to Rs 6,000 million for the purpose of refinancing a portion of its existing long term finance.

The facility carries markup at the rate of 6 months KIBOR plus 1.5% per annum payable semi annually in arrears. The effective rate of markup charged during the year ranged from 11.01% to 13.51% per annum (2011: Nil). It is payable over a period of four years in eight half yearly installments starting from November 27, 2012.

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

During the year the company has paid the installment due of Rs 400 million.

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

During the year the company has entered into Syndicated Term Finance Agreement - II (STFA - II) with a consortium of commercial banks / financial institutions led by Allied Bank of Pakistan aggregating to Rs 5,400 million for the purpose of repayment of unsecured loans from Pakarab Fertilizers Limited, an associate.

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year was 10.51% per annum (2011: Nil) and is payable in five years with one year grace period in eight half yearly installments starting from May 20, 2014.

The facility is secured by ranking charge over all present and future fixed assets of the Company amounting to Rs 7,200 million inclusive of a 25% margin which subsequently has to be replaced with pari passu charge.

7.4 Commercial Facility (CF)

This facility was obtained from a consortium of commercial banks / financial institutions led by National Bank of Pakistan, against a sanctioned limit of Rs 4,500 million to finance the project cost.

7.5 New Facility I (NF I)

This facility was obtained from various commercial banks / financial institutions individually, aggregating to Rs 3,581 million.

7.6 New Facility II (NF II)

This facility was obtained from various commercial banks / financial institutions individually, against the sanctioned limit aggregating to Rs 1,960 million.

7.7 The facilities referred to in note 7.4, 7.5 and 7.6 carried markup at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. The effective rate of markup charged during the year was 15.67% per annum (2011: 15.67% to 17.47% per annum).

During the year the Company repaid Commercial Facility (CF) and New Facilities (NFI and NFII) completely.

7.8 Bridge Finance (STFA)

This represented unsecured loan facility amounting to Rs 2,100 million obtained from Pakarab Fertilizers Limited, an associate, for the purposes of project financing.

Till such time as PFL was obligated to make repayment of the "Bridge Finance (STFA)" under syndicated term finance agreement dated August 27, 2009 between PFL and syndicate of financial institutions (PFL Bridge Finance Institutions), the facility carried markup at 6 months KIBOR plus 2.5%, with no floor and cap payable semi annually, on outstanding balance of such loan. Subsequently, the facility carried markup at average borrowing cost of the associate.

Effective rate of markup charged during the year on outstanding balance ranged from 13.03% to 15.88% per annum (2011: 15.37% to 16.26% per annum).

7.9 Term loan

This represented unsecured loan facility amounting to Rs 2,478 million obtained from Pakarab Fertilizers Limited, an associate, for the purposes of project financing. The facility carried markup at the rate of average borrowing cost of the associate. Effective rate of markup charged during the year was 13.41% per annum (2011: 15.40% per annum).

7.10 During the year Bridge Finance and Term Loan payable to the Pakarab Fertilizers Limited have been repaid.

7.11 The aggregate unavailed long term financing facilities amount to Rs 902.33 million (2011: Rs 88 million).

	Note	2012	2011
		(Rupees in thousand)	
8 Dividend and Markup payable to related parties			
Preference dividend payable		1,337,214	1,270,163
Markup payable on			
- Bridge Finance (STFA)	8.1	665,642	443,850
- Term loan	8.1	811,991	503,206
- Delayed payment of dividend		102,768	-
		2,917,615	2,217,219

8.1 The markup payable on loans from related party have been reclassified from current to non current after an agreement for deferment of payment. The reclassified amount is Rs 947.056 million.

	Note	2012	2011
		(Rupees in thousand)	
9 Deferred liabilities			
Deferred taxation	9.1	4,706,656	1,704,264
Employee retirement benefits	9.2	134,599	102,754
		4,841,255	1,807,018

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees in thousand)	
9.1	**Deferred taxation**			
	This is composed of the following:			
	Taxable temporary difference:			
	Accelerated tax depreciation		13,421,764	13,162,832
	Deductible temporary difference:			
	Carry forward tax depreciation losses		(8,421,979)	(11,124,032)
	Provision for retirement benefits		(17,208)	(35,964)
	Tax credit u/s 113c		(275,921)	(298,572)
			(8,715,108)	(11,458,568)
			4,706,656	1,704,264
9.2	**Employee retirement benefits**			
	Gratuity	9.2.1	84,348	60,833
	Accumulating compensated absences	9.2.2	50,251	41,921
			134,599	102,754
9.2.1	**Gratuity**			
a)	**Amount recognized in the balance sheet**			
	Present value of defined benefit obligations		88,195	62,734
	Benefits due but not paid to outgoing employees		-	878
	Unrecognized actuarial gains		(3,847)	(2,779)
	Net liability at the end of the year		84,348	60,833
b)	**Movement in liability**			
	Net liability at the beginning of the year		60,833	42,467
	Charge for the year		30,812	24,447
	Benefits paid during the year		(7,297)	(6,081)
	Net liability at the end of the year		84,348	60,833
c)	**Charge for the year**			
	Current service cost		22,970	19,060
	Interest cost		7,842	5,387
	Actuarial (gain) / loss recognized		-	-
			30,812	24,447
d)	**Movement in the present value of defined benefit obligations**			
	Defined benefit obligations at beginning of the year		62,734	41,441
	Current service cost		22,970	19,060
	Interest cost		7,842	5,387
	Benefits due to outgoing employees		878	(878)
	Benefit paid during the year		(7,297)	(6,081)
	Actuarial loss		1,067	3,805
	Defined benefit obligations at end of the year		88,195	62,734
e)	**The principal assumptions used in the actuarial valuation are as follows: -**			
	Discount rate		11%	12.5 %
	Expected rate of increase per annum in future salaries		11%	12.5 %
	Expected average remaining life		7 years	6 years

f) Amounts for the current and four previous years are as follows:

	2012	2011	2010	2009	2008
			(Rupees in thousand)		
Present value of defined benefit obligation	88,195	62,734	41,441	28,801	17,432
Experience adjustment on obligation	1,067	3,805	1,158	(1,534)	(17)

	Note	2012	2011
		(Rupees in thousand)	
9.2.2 Accumulating compensated absences			
Opening balance		41,921	31,329
Add: Provision for the year		13,010	13,010
		54,931	44,339
Less: Payments made during the year		4,680	2,418
Net liability at the end of the year		50,251	41,921

10 Trade and other payables

	Note	2012	2011
Creditors		615,023	765,877
Advances from customers		1,960,681	2,217,585
Accrued liabilities		604,043	419,843
Withholding tax		49,234	217,188
Sales tax payable	10.1	880,046	351,987
Workers profit participation fund		798,320	320,398
Retention money payable		37,871	342,899
Provident fund payable		4,692	1,037
Unclaimed dividend		7,294	-
Others		39,523	14,142
		4,996,727	4,650,956

10.1 The Company 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.

During the year Deputy Commissioner Inland Revenue, Multan issued a show cause notice on the aforementioned subject, without considering the pending application of the Company under section 65 of the Sales Tax Act, 1990. The Company has filed a constitutional writ petition in Lahore High Court, Multan Bench against the said show cause notice and the learned court has granted a stay to the show cause notice till next hearing date.

Based on the advise of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that the exemption would be allowed to the Company. Consequently, no provision has been recognized in these financial statements for the abovementioned amount.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees in thousand)	
11	**Accrued finance cost**			
	Long term finance - secured		340,679	1,878,808
	Short term finance - secured		158,799	12,124
			499,478	1,890,932
12	**Short term finance - secured**			
	Cash finance	12.1	329,137	-
	Running finance	12.2	596,709	-
	Finance against Imported Merchandise	12.3	1,764,400	-
			2,690,246	-

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 10.31% to 14.10% (2011: 14.67% to 16.03%) 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 3,403 million (2011: Rs 3,403 million) on present and future current assets.

The facilities carry markup ranging from 10.61% to 14.14% (2011: 13.92% to 15.79%) per annum.

12.3 These facilities have been obtained from various banks against imported merchandise. The facilities carry markup ranging from 11.26% to 14.04% per annum.

12.4 The aggregate unavailed short term borrowing facilities amount to Rs 6,124.14 million (2011: Rs 3,300 million).

13 Contingencies and commitments

13.1 Contingencies

(i) Post dated cheques not accounted for in the financial statements, submitted by the Company to the Collector of Customs to cover excess import levies on plant and machinery aggregating to Rs 13.975 million (2011: Rs 13.935 million).

(ii) Company has contested a show cause notice received from the Assistant Commissioner Inland Revenue alleging that the Company has adjusted the excess input tax amounting to Rs 12.68 million in January 2012 sales tax return. The matter is pending adjudication.

(iii) Company filed an appeal with CIR(A), against the Order in Original passed by Deputy Commissioner Inland Revenue (E&C) directing the Company to pay an amount of Rs 9.60 million on account of sales tax withheld on advertising services. CIR(A) has annulled the impugned order and remanded the matter to department for consideration afresh. Further proceedings have not yet started.

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

13.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 33.966 million (2011: Rs 35.253 million).

(ii) Contracts for other than capital expenditure Rs 514.519 million (2011: Rs 636.699 million).

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

	Note	2012	2011
		(Rupees in thousand)	
Not later than one year		51,381	4,360
Later than one year but not later than five years		87,580	-
		138,961	4,360

14. Property, plant and equipment

2012

	Cost as at December 31, 2011	Additions/ (deletions) for the year	Cost as at December 31, 2012	Accumulated depreciation as at December 31, 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2012	Book value as at December 31, 2012	Annual rate of depreciation
				(Rupees in thousand)				%
Freehold land	433,440	1,629	435,069	-	-	-	435,069	-
Building	2,912,597	40,275	2,952,872	54,140	117,087	171,227	2,781,646	4
Plant and machinery	63,642,350	390,497	64,032,847	612,727	1,275,470	1,888,197	62,144,650	4
Furniture and fixtures	34,881	9,775	44,656	9,251	3,978	13,229	31,427	10
Office equipment	10,037	5,376	15,398	2,709	1,298	4,001	11,396	10
		(15)			(6)			
Electrical installations and appliances	517,255	40,634	557,889	116,564	53,629	170,193	387,694	10
Computers	48,371	40,273	88,644	34,418	10,084	44,502	44,142	25
Vehicles	112,773	9,072	121,845	53,982	20,996	74,978	46,867	20
	67,711,704	537,531	68,249,220	883,791	1,482,540	2,366,327	65,882,892	
		(15)			(6)			

2011

	Cost as at December 31, 2010	Additions/ (deletions) for the year	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011	Annual rate of depreciation
				(Rupees in thousand)				%
Freehold land	419,521	13,919	433,440	-	-	-	433,440	-
Building	-	2,912,597	2,912,597	-	54,140	54,140	2,858,457	4
Plant and machinery	-	63,642,350	63,642,350	-	612,727	612,727	63,029,623	4
Furniture and fixtures	26,565	8,316	34,881	6,246	3,005	9,251	25,630	10
Office equipment	7,410	2,681	10,037	1,825	895	2,709	7,328	10
		(54)			(11)			
Electrical installations and appliances	434,213	83,042	517,255	66,779	49,785	116,564	400,691	10
Computers	41,933	6,739	48,371	25,625	8,981	34,418	13,953	25
		(301)			(188)			
Vehicles	83,755	30,667	112,773	36,938	18,693	53,982	58,791	20
		(1,649)			(1,649)			
	1,013,397	66,700,311	67,711,704	137,413	748,226	883,791	66,827,913	
		(2,004)			(1,848)			

14.1 The depreciation charge for the year has been allocated as follows:

	2012	2011
	(Rupees in thousand)	
Unallocated expenditure	-	37,215
Cost of sales	1,427,411	697,987
Administrative expenses	54,727	13,024
Distribution cost	402	-
	1,482,540	748,226

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

14.2 Disposal

	Cost	Accumulated depreciation	Book value	Sale proceeds	(Loss) / gain
			(Rupees in thousand)		
Assets having book value below Rs 50,000	15	6	9	2	(7)
2012	15	6	9	2	(7)
2011	2,005	1,848	157	395	238

15 Intangible assets

	Cost as at December 31, 2011	Additions for the year	Cost as at December 31, 2012	Accumulated amortization as at December 31, 2011	Amortization charge for the year	Accumulated amortization as at December 31, 2012	Book value as at December 31, 2012	Annual rate of amortization %
				(Rupees in thousand)				
Computer software	-	36,961	36,961	-	3,080	3,080	33,881	25
2012	-	36,961	36,961	-	3,080	3,080	33,881	
2011		-	-	-	-	-	-	-

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

	Note	2012	2011
		(Rupees in thousand)	
16 Capital work in progress			
- Civil works		315,493	152,632
- Plant and machinery		1,258,987	996,052
- Advances	16.1	87,981	139,051
		1,662,461	1,287,735
16.1 Advances			
- Freehold land		1,712	80,992
- Civil works		671	8,158
- Plant and machinery		85,598	33,414
- ERP software		-	16,487
		87,981	139,051

17 Long Term Investment

This represents advance against shares to Multan Real Estate (Private) Limited.

18 Stores and spares

	2012	2011
Stores	242,815	280,489
Spares	1,991,825	780,296
Catalyst and chemicals {including in transit Rs Nil (2011: Rs 645.5 million)}	996,165	869,894
	3,230,805	1,930,679

	2012	2011
	(Rupees in thousand)	
19 Stock in trade		
Raw material {including in transit Rs 1,363.8 million (2011: Rs 256.3 million)}	2,286,655	426,660
Packing material	7,162	41,211
Mid Products		
Ammonia	10,594	13,147
Nitric Acid	6,675	14,829
Others	200	-
	17,469	27,976
Finished goods		
Urea	3,901	774
NP {including in transit Rs 1.5 million (2011: Rs 1.5 million)}	48,459	718,220
CAN {including in transit Rs 1.0 million (2011: Rs Nil)}	144,059	173
Emission reductions	222	-
	196,641	719,167
	2,507,927	1,215,014

20 Trade debtors

These are in the normal course of business, secured by way of bank guarantee and carry interest rate ranging from 1.06% to 8.18% (2011: 1.26% to 13.43 %) per annum.

	Note	2012	2011
		(Rupees in thousand)	
21 Loans, advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		17,009	21,803
- to suppliers		507,118	313,296
		524,127	335,099
Prepayments		312,655	194,115
Margin deposits held by banks		101,880	52,615
Advance income tax paid		367,825	285,975
Markup receivable		2,419	32,449
Other receivable		158,749	144,972
		1,467,655	1,045,225
22 Cash and bank balances			
At banks			
- saving accounts	22.1	395,227	2,946,948
- current accounts		586,877	891,293
Cash in hand		2,040	1,120
		984,144	3,839,361

22.1 The balances in saving and deposit accounts bear markup ranging from 7% to 11.5% (2011: 5% to 11.6%) per annum.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

23 Sales

Sales are exclusive of sales tax and trade allowances of Rs 4,742.841 million and Rs 858.306 million (2011: Rs 1,770.815 million and Rs 12.961 million) respectively.

	Note	2012	2011
		(Rupees in thousand)	
24 Cost of sales			
Raw material consumed		4,330,413	2,036,539
Packing material consumed		553,936	293,041
Salaries, wages and other benefits		1,080,455	439,481
Fuel and power		2,521,843	1,157,738
Chemicals and catalyst consumed		429,061	83,807
Stores and spares consumed		557,719	156,695
Technical assistance		54,323	80,324
Repair and maintenance		159,975	102,948
Insurance		395,932	137,325
Travelling and conveyance		58,570	34,233
Equipment rental		81,136	55,321
Vehicle running and maintenance		38,982	21,115
Depreciation	14.1	1,427,411	697,987
Toll manufacturing cost		12,551	42,506
Others		17,087	34,890
Manufacturing cost		11,719,394	5,373,950
Opening stock of mid products		27,975	22,875
Closing stock of mid products		(17,469)	(27,975)
Cost of goods manufactured		11,729,900	5,368,850
Opening stock of finished goods		719,168	91,279
Closing stock of finished goods		(196,641)	(719,168)
		12,252,427	4,740,961
25 Distribution cost			
Salaries, wages and other benefits		254,122	67,277
Printing and stationery		5,493	2,821
Rent, rates and taxes		59,653	5,705
Advertisement and sales promotion		317,982	26,020
Transportation and freight		509,696	233,008
Others		86,998	3,115
		1,233,944	337,946

		Note	2012	2011
			(Rupees in thousand)	
26	**Administrative expenses**			
	Salaries, wages and other benefits		371,312	204,666
	Travelling and conveyance		49,367	23,013
	Vehicles' running and maintenance		23,134	9,186
	Insurance expenses		3,113	2,072
	Communication and postage		12,880	10,874
	Printing and stationery		7,882	5,452
	Repair and maintenance		39,860	15,879
	Rent, rates and taxes	26.1	15,398	9,554
	Fees and subscription		10,144	2,713
	Auditors' remuneration	26.2	3,237	2,559
	Entertainment expenses		16,453	10,007
	Legal and Professional charges		9,777	17,812
	Utilities		65,660	49,384
	Depreciation	14.1	54,727	13,024
	Amortization	15.1	3,080	-
	Charity and donation	26.3	18,124	24,239
	Others		34,644	16,791
			738,792	417,225

26.1 Rent, rates and taxes include operating lease rentals.

26.2 Auditors' remuneration

	2012	2011
Annual audit	1,750	1,500
Half yearly review / audit	400	375
Other certification	418	325
Out of pocket expenses	669	359
	3,237	2,559

26.3 This includes

- Rs 0.727 million (2011: Rs3.675 million) to Mian Mukhtar A. Sheikh Trust. Three directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar are trustees in the trust; and

- Rs Nil (2011: Rs 12.5 million) to Karachi Education Initiative (KEI), a not for profit entity registered under Section 42 of the Companies Ordinance, 1984. The chairman of the Company, Mr. Arif Habib is on the Board of Directors of KEI.

		Note	2012	2011
			(Rupees in thousand)	
27	**Finance cost**			
	Markup on long term loans		4,444,821	2,644,438
	Markup on loans from associated company		643,145	341,558
	Markup on short term loans		497,961	64,841
	Interest on provident fund		-	825
	Bank charges and others		187,894	11,393
			5,773,821	3,063,055
28	**Other operating expenses**			
	Workers profit participation fund		477,923	320,398
	Exchange loss		28,205	-
	Loss on disposal of property plant and equipment		7	-
			506,135	320,398

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

	2012	2011
	(Rupees in thousand)	
29 Other operating income		
Income from financial assets		
Profit on saving accounts	45,510	62,577
Gain on sale of short term investment	-	2,233
Income from non financial assets		
Scrap sales	12,221	66,009
Others	9,302	2,991
	67,033	133,810

	2012	2011
30 Taxation		
Current	210,682	243,659
Prior	(10,302)	756
	200,380	244,415
Deferred	2,769,038	1,726,178
	2,969,418	1,970,593

30.1 Assessments for tax years upto 2012 (financial year ended December 31, 2011) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

	2012	2011
	(%)	
30.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	35	35
Tax effect of amounts that are:		
Temporary differences	3.10	0.72
Effect of income tax surcharge	-	0.17
Effect of brought forward losses	(5.40)	(3.52)
	(2.30)	(2.63)
Average effective tax rate charged to profit and loss account	32.70	32.37

31 Transactions with related parties

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

Relationship with the Company	Nature of transaction	2012	2011
		(Rupees in thousand)	
Associated companies			
	Redemption / conversion of preference shares	4,000,000	-
	Repayment of long term finance	4,515,565	-
	Long term investment	85,190	-
	Toll manufacturing	12,551	86,351
	Miscellaneous expenses	394,653	257,353
	Sale of fertilizer	18,907	576,435
	Purchase of raw material	643,053	340,391
	Finance cost	643,145	707,365
	Dividend on Preference Shares	215,630	666,491
	Disposal of assets	-	247
	Sale of stores and spares	9,009	57,197
Retirement benefit plans			
	Retirement benefit expense	64,537	57,835

	2012	2011
	(Rupees in thousand)	
32 Earnings per share - basic and diluted		
The calculation of the basic and diluted earnings per share is based on the following data:		
Profit		
Profit for the year	6,111,119	4,116,975
Preference dividend for the year	(215,630)	(320,890)
Profit attributable to ordinary shareholders	5,895,489	3,796,085
	(No. of shares)	
Weighted average number of shares		
Ordinary shares for the purposes of basic earnings per share	2,064,480,874	2,000,000,000
Dilutive effect of potential ordinary shares on conversion of preference shares	-	219,780,220
Ordinary shares for the purposes of diluted earnings per share	2,064,480,874	2,219,780,220

Basic and diluted earnings per share have been computed by dividing profit, as stated above, with weighted average number of ordinary shares. There is no dilution effect in the current year.

	2012	2011 (Restated)
Basic earnings per share (Rupees)	2.86	1.90
Diluted earnings per share (Rupees)	2.86	1.85

	2012	2011
	(Metric Tons)	
33 Capacity and Production		
Urea		
Rated production capacity	500,000	500,000
Actual production	339,376	426,902
CAN		
Rated production capacity	420,000	420,000
Actual production	374,082	355,308
NP		
Rated production capacity	360,000	243,616
Actual production	261,740	142,661

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

34 Financial Risk Management

34.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro (EUR) and Great Britain Pound (GBP). 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:

	2012	2011
	(FCY in thousand)	
Cash at banks – USD	4	3
Trade and other payables – USD	(384)	(194)
Net exposure – USD	(380)	(191)
Cash at banks – EUR	4	1
Trade and other payables – EUR	(291)	(5,268)
Net exposure – EUR	(287)	(5,267)
Cash at banks – GBP	1	-
Trade and other payables – GBP	-	-
Net exposure- GBP	1	-

The following significant exchange rates were applied during the year:

	2012	2011
	(Rupees)	
Rupees per USD		
Average rate	93.45	87.85
Reporting date rate	97.10	89.80
Rupees per EUR		
Average rate	122.27	115.21
Reporting date rate	128.31	116.22
Rupees per GBP		
Average rate	147.65	135.53
Reporting date rate	156.9	138.40

If the functional currency, at reporting date, had fluctuated by 5% against the USD, EUR and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rs 3.677 million (2011: Rs 31.464 million), respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	395,227	2,946,948
Floating rate instruments		
Financial assets		
Trade debt – secured	138,480	195,840
Financial liabilities		
Preference shares	-	4,000,000
Long term finance	31,109,121	37,490,051
Short term finance - secured	2,690,246	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on long term loans at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 202.209 million (2011: Rs 207.450 million) respectively higher / lower.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

(b) Credit risk

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

	2012	2011
	(Rupees in thousand)	
Long term investments	85,190	-
Long term deposits	11,361	5,481
Loans, advances, deposits and other receivables	280,057	251,839
Bank balances	982,104	3,838,241
	1,358,712	4,095,561

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			2012	2011
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AA+	PACRA	267,875	604,957
Askari Bank Limited	A1+	AA	PACRA	50,092	1,377
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	101	101
Bank Alfalah Limited	A1+	AA	PACRA	-	18,538
Bank Islami Pakistan Limited	A1	A	PACRA	75,003	20,090
The Bank of Khyber	A-2	A	JCR-VIS	3	-
Faysal Bank Limited	A1+	AA	PACRA	20	141,057
Habib Bank Limited	A-1+	AA+	JCR-VIS	27,282	231,368
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	25,047	103,858
MCB Bank Limited	A1+	AA+	PACRA	44	76
Meezan Bank Limited	A-1+	AA-	JCR-VIS	7,558	683
National Bank of Pakistan	A-1+	AAA	JCR-VIS	11,768	1,831,816
NIB Bank Limited	A1+	AA-	PACRA	10	-
Silkbank Limited	A-3	A-	JCR VIS	147	47
Soneri Bank Limited	A1+	AA-	PACRA	1,021	10,666
Summit Bank Limited	A-2	A-	JCR-VIS	362,055	369,456
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,516	-
United Bank Limited	A-1+	AA+	JCR-VIS	1,496	203,881
The Bank of Punjab	A1+	AA-	PACRA	50,037	200,270
Sindh Bank Limited	A-1	AA-	JCR-VIS	100,057	100,000

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, 2012 the Company has Rs 7,026.470 million (2011: Rs 3,388 million) unutilized borrowing limits from financial institutions and Rs 960.636 million (2011: Rs 3,839 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	31,109,121	4,085,379	22,538,631	4,485,111
Dividend and markup payable to related parties	2,917,615	-	2,917,615	-
Short term finance - secured	2,690,246	2,690,246	-	-
Trade and other payables	3,036,046	3,036,046	-	-
Accrued finance cost	499,478	499,478	-	-
Dividend payable on ordinary shares	7,294	7,294	-	-
	40,259,800	10,318,443	25,456,246	4,485,111

The following are the contractual maturities of financial liabilities as at December 31, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	37,490,051	3,032,833	23,963,852	10,493,366
Dividend and markup payable to related parties	2,217,219	-	2,217,219	-
Trade and other payables	2,433,371	2,433,371	-	-
Accrued finance cost	1,890,932	1,890,932	-	-
	44,031,573	7,357,136	26,181,071	10,493,366

34.2 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.

	2012	2011
	(Rupees in thousand)	
34.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term deposits	11,361	5,481
Loans, advances, deposits and other receivables	668,286	390,717
Trade debts	138,480	195,840
Cash and bank balances	984,144	3,838,241
	1,802,271	4,430,279
Financial liabilities as per balance sheet		
Long term loans	31,109,121	37,490,051
Dividend and markup payable to related parties	2,917,615	2,217,219
Short term finance - secured	2,690,246	-
Trade and other payables	3,036,046	2,433,371
Accrued finance cost	499,478	1,890,932
	40,252,506	44,031,573

Notes to and forming part of the Financial Statements
for the year ended December 31, 2012

34.4 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.

35 Remuneration of directors and key management personnel

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

	Directors		Executives	
	2012	2011	2012	2011
	(Rupees in thousand)			
Short term employee benefits				
Managerial remuneration	1,655	-	200,529	151,518
Housing	745	-	91,690	68,183
Utilities	815	-	20,376	15,152
Project allowance & site allowance	-	-	61,096	47,262
LFA & bonus	-	-	89,743	47,385
Others	3,310	-	16,219	23,219
	6,525	-	479,653	352,719
Retirement benefits				
Contribution to provident fund and gratuity	-	-	42,114	30,314
Accumulating compensated absences	-	-	4,181	2,957
	6,525	-	525,948	385,990
Number of persons	1	-	161	160

35.2 Remuneration to directors represents expenses for two months commencing from November 01, 2012.

The Chief Executive of the Company is not taking any remuneration and thus remuneration of the Chief Executive is not included in the above note.

	2012	2011
	(Rupees in thousand)	
36 Cash generated from operations		
Profit before tax	9,080,537	6,087,568
Adjustments for :		
Retirement benefits accrued	43,822	25,007
Depreciation on property, plant and equipment	1,482,540	711,011
Amortization of intangible assets	3,080	-
Finance cost	5,773,821	3,063,055
Gain of sale of short term investment	-	(2,233)
Profit on saving accounts	(45,510)	(62,577)
Loss / (gain) on disposal of property plant and equipment	7	(238)
	7,257,760	3,734,025
Operating cash flows before working capital changes	16,338,297	9,821,593
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(1,300,126)	548,570
Stock in trade	(1,292,913)	(675,284)
Trade debtors	57,360	60,708
Loans, advances, deposits, prepayments and other receivables	(370,610)	219,484
Increase in creditors, accrued and other liabilities	338,477	946,783
	(2,567,812)	1,100,261
	13,770,485	10,921,854

37 Reclassification

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant reclassifications are as follows:

From	To	Reason	Rupees in thousand
Accrued finance cost	Dividend and markup payable to related parties	Revised terms	947,056
Capital work in progress	Other receivables	For better presentation	100,000
Fuel and power -	Utilities -		
Cost of sales	Administrative expenses	For better presentation	40,530

38 Non adjusting events after the balance sheet date

The Board of Directors in its Meeting held on January 30, 2013 proposed a final dividend of Rs 2 per share (2011: Rs 1.50 per share) for the year ended December 31, 2012, amounting to Rs 4.2 billion (2011: Rs 3 billion) for approval of the members at the Annual General Meeting to be held on March 30, 2013.

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

39 Date of authorization for issue

These financial statements have been authorized for issue on January 30, 2013 by the Board of Directors of the Company.

40 General

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

Chief Executive **Director**

Pattern of Shareholding
as at December 31, 2012

Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2012	Shares Held
1. Associated Companies, Undertakings and Related Parties	
Pakarab Fertilizers Limited	45,000,000
Reliance Weaving Mills Limited	2,625,166
Reliance Commodities (Pvt) Limited	178,450,033
Fazal Cloth Mills Limited	66,934,970
Fatima Sugar Mills Limited	290,447,036
Arif Habib Corporation Limited	376,634,206
2. Mutual Funds	
Prudential Stocks Fund Ltd	4,500
CDC - Trustee Pakistan Stock Market Fund	490,500
JS Value Fund Limited	2,975,000
CDC - Trustee JS Large Cap. Fund	2,553,000
CDC - Trustee Pak Strategic Alloc. Fund	173,200
CDC - Trustee Atlas Stock Market Fund	700,000
CDC - Trustee Alfalah GHP Value Fund	81,500
CDC - Trustee Unit Trust of Pakistan	850,000
CDC - Trustee AKD Index Tracker Fund	75,434
MC FSL - Trustee JS KSE-30 Index Fund	13,322
CDC - Trustee MCB Dynamic Stock Fund	385,000
CDC - Trustee Askari Asset Allocation Fund	450,000
CDC - Trustee APF-Equity Sub Fund	75,000
CDC - Trustee HBL - Stock Fund	2,812,181
CDC - Trustee KASB Asset Allocation Fund	200,245
First Capital Mutual Fund Limited	100,000
CDC - Trustee Alfalah GHP Alpha Fund	32,000
CDC - Trustee NIT-Equity Market Opportunity Fund	400,000
CDC - Trustee ABL Stock Fund	813,000
CDC - Trustee First Habib Stock Fund	24,400
CDC - Trustee Lakson Equity Fund	305,000
CDC - Trustee Crosby Dragon Fund	90,092
MCBFSL-Trustee AH Dow Jones Safe Pak Titans 15 Index Fund	32,690
CDC-Trustee Pakistan Premier Fund	235,000
CDC-Trustee Nafa Savings Plus Fund - MT	1,857,000
CDC - Trustee AKD Aggressive Income Fund - MT	430,000
CDC - Trustee PICIC Income Fund - MT	139,500
CDC - Trustee KASB Asset Allocation Fund - MT	8,000
CDC - Trustee Askari Equity Fund	180,000
MCBFSL - Trustee Namco Balanced Fund - MT	213,500
MCBFSL - Trustee Namco Income Fund - MT	165,000
CDC - Trustee Lakson Income Fund - MT	470,000
3. Directors and their spouse(s) and minor children	
Mr. Arif Habib - Chairman	180,422,150
Mr. Fawad Ahmed Mukhtar - CEO	80,071,389
Mr. Fazal Ahmed Shekih	98,342,881
Mr. Faisal Ahmed Mukhtar	129,259,655
Mr. Jørgen Nergaard Gøl	5,000
Mr. Muhammad Kashif Habib	13,749
Mr. M. Abad Khan	754,500
Mrs. Zetun Arif	135,187,922
Mrs. Ambreen Fawad	14,740,785
Mrs. Fatima Fazal	70,311

Details of holding as on December 31, 2012		Shares Held
	Mrs. Farah Faisal	56,250
	Miss Meraj Fatima	13,837,810
	Mr. Asad Muhammad Sheikh	23,207,427
	Mr. Muhammad Mukhtar Sheikh	23,207,427
	Mr. Ibrahim Mukhtar	5,157,206
	Mr. Mohid Muhammad Ahmed	5,157,206
	Mr. Muhammad Fazeel Mukhtar	5,157,206
4.	**Executives**	645,421
5.	**Public Sector companies and corporations**	11,515,338
6.	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds**	87,932,669
7.	**Shareholders holding five percent or more voting rights**	
	Arif Habib Corporation Limited	376,634,206
	Fatima Sugar Mills Limited	290,447,036
	Reliance Commodities (Pvt) Limited	178,450,033
	Mr. Arif Habib	180,422,150
	Mrs. Zetun Arif	135,187,922
	Mr. Faisal Ahmed Mukhtar	129,259,655

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	714,648,874	34.03
Associated Companies, undertakings and related parties	960,091,411	45.72
Executives	645,421	0.03
Public Sector Companies and Corporation	11,515,338	0.55
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	87,932,669	4.19
Mutual Funds	17,334,064	0.83
General Public		
a. Local	223,593,997	10.65
b. Foreign	787,012	0.04
Foreign Companies	30,330,361	1.44
Others	53,120,853	2.53
Total	**2,100,000,000**	**100.00**

Pattern of Shareholding
as at December 31, 2012

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
2735	1	100	111,994	0.0053
5452	101	500	2,120,682	0.1010
1666	501	1000	1,446,461	0.0689
2292	1001	5000	6,247,339	0.2975
732	5001	10000	5,787,777	0.2756
280	10001	15000	3,569,529	0.1700
161	15001	20000	2,952,701	0.1406
135	20001	25000	3,165,516	0.1507
86	25001	30000	2,430,576	0.1157
51	30001	35000	1,672,181	0.0796
36	35001	40000	1,397,428	0.0665
26	40001	45000	1,120,150	0.0533
70	45001	50000	3,475,602	0.1655
19	50001	55000	1,002,723	0.0477
24	55001	60000	1,406,640	0.0670
15	60001	65000	949,740	0.0452
11	65001	70000	748,663	0.0357
24	70001	75000	1,776,038	0.0846
13	75001	80000	1,016,121	0.0484
12	80001	85000	991,582	0.0472
3	85001	90000	269,500	0.0128
6	90001	95000	553,634	0.0264
37	95001	100000	3,699,500	0.1762
6	100001	105000	623,574	0.0297
10	105001	110000	1,078,502	0.0514
5	110001	115000	570,680	0.0272
1	115001	120000	120,000	0.0057
3	120001	125000	372,000	0.0177
4	125001	130000	511,405	0.0244
2	130001	135000	270,000	0.0129
4	135001	140000	552,520	0.0263
2	140001	145000	285,800	0.0136
9	145001	150000	1,341,000	0.0639
3	150001	155000	458,937	0.0219
3	155001	160000	475,000	0.0226
4	160001	165000	653,500	0.0311
1	165001	170000	170,000	0.0081
3	170001	175000	521,533	0.0248
1	175001	180000	180,000	0.0086
3	180001	185000	550,795	0.0262
4	185001	190000	751,820	0.0358
14	195001	200000	2,789,043	0.1328
2	200001	205000	404,495	0.0193
1	205001	210000	206,420	0.0098
2	210001	215000	428,500	0.0204
1	220001	225000	225,000	0.0107
4	225001	230000	913,325	0.0435
3	230001	235000	702,937	0.0335
2	235001	240000	475,752	0.0227
2	245001	250000	500,000	0.0238
2	250001	255000	501,713	0.0239
1	260001	265000	261,000	0.0124
2	265001	270000	539,387	0.0257
2	285001	290000	580,000	0.0276

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
2	290001	295000	584,577	0.0278
6	295001	300000	1,795,223	0.0855
3	300001	305000	914,500	0.0435
1	305001	310000	308,500	0.0147
1	310001	315000	314,996	0.0150
1	320001	325000	325,000	0.0155
2	345001	350000	699,321	0.0333
1	365001	370000	370,000	0.0176
1	370001	375000	375,000	0.0179
1	375001	380000	377,500	0.0180
2	380001	385000	768,583	0.0366
5	395001	400000	1,995,500	0.0950
1	400001	405000	402,000	0.0191
1	415001	420000	418,490	0.0199
1	425001	430000	430,000	0.0205
1	430001	435000	434,000	0.0207
2	445001	450000	898,338	0.0428
1	450001	455000	452,082	0.0215
1	465001	470000	470,000	0.0224
1	480001	485000	483,000	0.0230
1	490001	495000	490,500	0.0234
3	495001	500000	1,500,000	0.0714
1	505001	510000	505,241	0.0241
1	525001	530000	527,862	0.0251
1	530001	535000	533,265	0.0254
1	535001	540000	539,154	0.0257
2	545001	550000	1,100,000	0.0524
1	550001	555000	552,000	0.0263
1	565001	570000	570,000	0.0271
2	585001	590000	1,173,235	0.0559
2	595001	600000	1,195,071	0.0569
1	620001	625000	623,500	0.0297
1	635001	640000	640,000	0.0305
2	665001	670000	1,333,950	0.0635
1	670001	675000	675,000	0.0321
1	675001	680000	675,551	0.0322
3	695001	700000	2,095,500	0.0998
2	720001	725000	1,447,000	0.0689
2	750001	755000	1,505,247	0.0717
1	810001	815000	813,000	0.0387
1	840001	845000	841,500	0.0401
1	845001	850000	850,000	0.0405
1	945001	950000	950,000	0.0452
1	980001	985000	981,358	0.0467
1	995001	1000000	1,000,000	0.0476
1	1025001	1030000	1,030,000	0.0490
1	1040001	1045000	1,044,017	0.0497
1	1050001	1055000	1,055,000	0.0502
1	1095001	1100000	1,095,270	0.0522
1	1110001	1115000	1,111,500	0.0529
2	1125001	1130000	2,258,042	0.1075
1	1310001	1315000	1,311,903	0.0625
1	1345001	1350000	1,349,050	0.0642
1	1405001	1410000	1,406,446	0.0670

Pattern of Shareholding
as at December 31, 2012

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	1425001	1430000	1,428,500	0.0680
1	1700001	1705000	1,704,086	0.0811
1	1760001	1765000	1,764,000	0.0840
1	1855001	1860000	1,857,000	0.0884
1	1860001	1865000	1,864,817	0.0888
1	1995001	2000000	2,000,000	0.0952
2	2015001	2020000	4,030,430	0.1919
1	2195001	2200000	2,200,000	0.1048
1	2550001	2555000	2,553,000	0.1216
2	2625001	2630000	5,254,531	0.2502
1	2740001	2745000	2,740,500	0.1305
1	2810001	2815000	2,812,181	0.1339
1	2970001	2975000	2,975,000	0.1417
1	2980001	2985000	2,981,177	0.1420
1	2995001	3000000	3,000,000	0.1429
1	3205001	3210000	3,208,685	0.1528
1	3920001	3925000	3,924,459	0.1869
1	3930001	3935000	3,935,000	0.1874
1	4045001	4050000	4,050,000	0.1929
1	4060001	4065000	4,064,500	0.1935
1	4145001	4150000	4,145,400	0.1974
1	4175001	4180000	4,179,000	0.1990
1	4780001	4785000	4,784,562	0.2278
2	4995001	5000000	10,000,000	0.4762
1	5115001	5120000	5,116,285	0.2436
3	5155001	5160000	15,471,618	0.7367
1	5295001	5300000	5,299,743	0.2524
2	5355001	5360000	10,718,543	0.5104
4	5370001	5375000	21,495,628	1.0236
1	5655001	5660000	5,658,075	0.2694
1	6240001	6245000	6,240,614	0.2972
2	6445001	6450000	12,897,376	0.6142
1	7035001	7040000	7,039,929	0.3352
2	7735001	7740000	15,471,618	0.7367
1	8335001	8340000	8,339,238	0.3971
1	8460001	8465000	8,463,903	0.4030
1	8475001	8480000	8,476,403	0.4036
1	10195001	10200000	10,200,000	0.4857
1	10205001	10210000	10,208,000	0.4861
1	10735001	10740000	10,738,252	0.5113
1	11755001	11760000	11,759,608	0.5600
1	13120001	13125000	13,123,043	0.6249
1	13605001	13610000	13,610,000	0.6481
1	15350001	15355000	15,351,172	0.7310
2	15470001	15475000	30,943,236	1.4735
1	17200001	17205000	17,203,121	0.8192
1	17370001	17375000	17,371,936	0.8272
1	17880001	17885000	17,880,046	0.8514
1	25045001	25050000	25,048,000	1.1928
1	36810001	36815000	36,810,995	1.7529
1	38905001	38910000	38,908,014	1.8528
1	39510001	39515000	39,512,487	1.8815
1	41160001	41165000	41,163,375	1.9602
1	44995001	45000000	45,000,000	2.1429

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	46610001	46615000	46,610,769	2.2196
1	47190001	47195000	47,192,397	2.2473
1	49565001	49570000	49,566,639	2.3603
1	51580001	51585000	51,583,798	2.4564
1	51680001	51685000	51,684,012	2.4611
1	54990001	54995000	54,995,000	2.6188
1	84765001	84770000	84,766,927	4.0365
1	89705001	89710000	89,706,056	4.2717
1	108180001	108185000	108,181,753	5.1515
1	124495001	124500000	124,500,000	5.9286
1	126540001	126545000	126,544,836	6.0259
1	128130001	128135000	128,131,834	6.1015
1	163900001	163905000	163,902,200	7.8049
1	252130001	252135000	252,134,206	12.0064
14,152			2,100,000,000	100.0000

Financial Calendar

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

Annual General Meeting	March 30, 2013
1st Quarter ending March 31, 2013	Last week of April, 2013
2nd Quarter ending June 30, 2013	Third week of August, 2013
3rd Quarter ending September 30, 2013	Last week of October, 2013
Year ending December 31, 2013	Last week of January, 2014

Notes

Notes

Form of Proxy

10th 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 10th Annual General Meeting of the Company to be held on Saturday, March 30, 2013 and / or any adjournment thereof.

As witness my/our hand/seal this ____________________ day of ____________________ 2013.

Signed by ____

in the presence of ____

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

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

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

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

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

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

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

AFFIX
CORRECT
POSTAGE

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


FATIMA

www.fatima-group.com

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E 110, Khayaban-e-Jinnah,
Lahore Cantt. Lahore 54000
Pakistan.