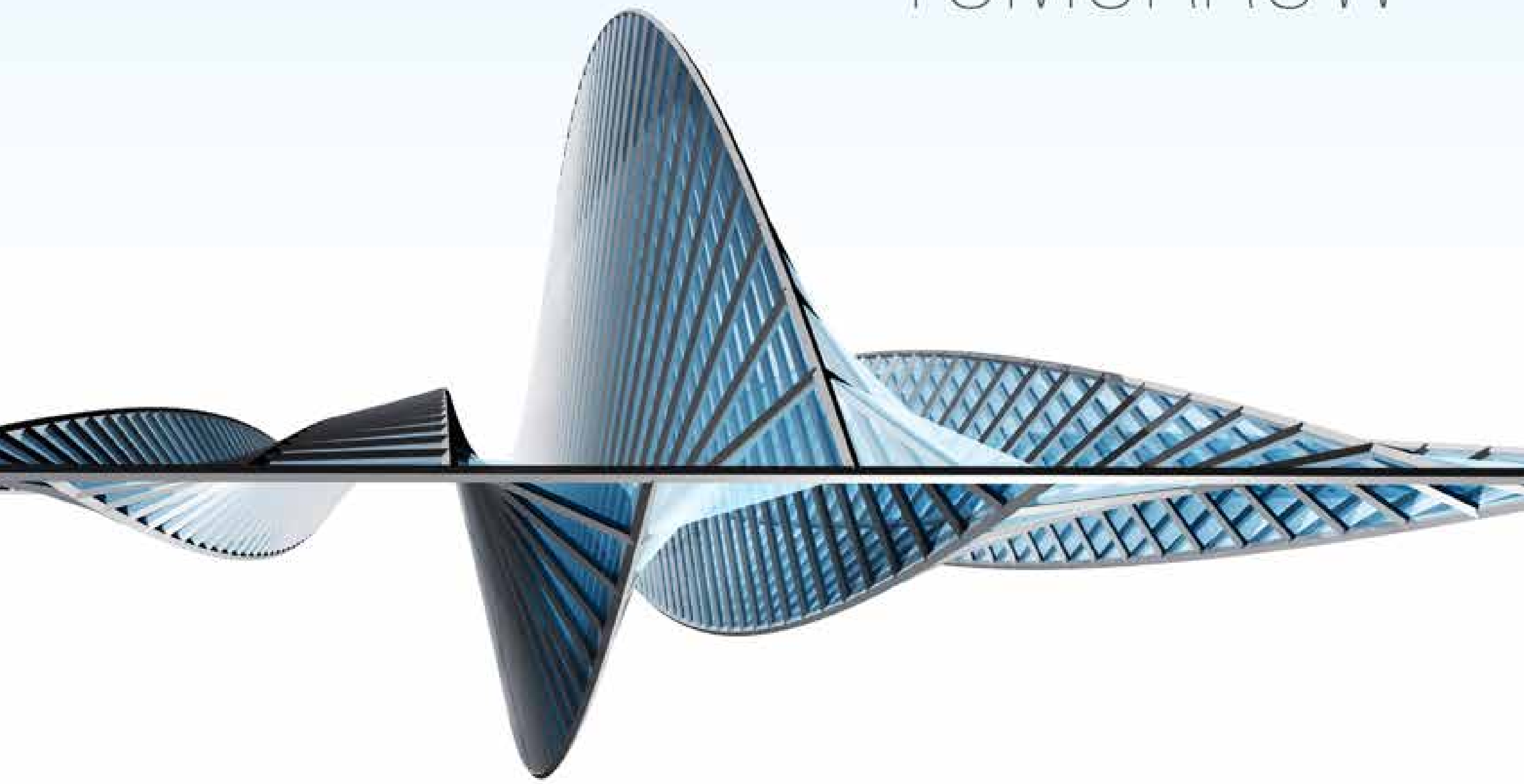
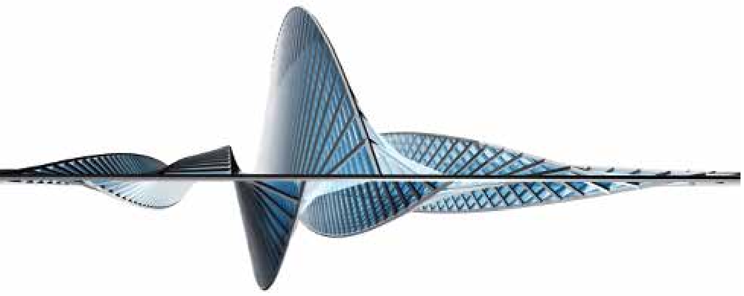
2016 Annual Report

EMBRACING TOMORROW



Fatima
Fertilizer Company Limited

EMBRACING TOMORROW



The Company delivered on its promise of sustainable growth and performed better than the Fertilizer sector overall. Our manufacturing excellence, resulted in growing efficiency and high HSE standards.

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Key Highlights 2016

Fertilizer Production
1,380
(MT in "000")

Revenue
33,765
PKR in Million

Profit after Tax
9,782
PKR in Million

Earning Per Share
4.66
Rupees

Dividend
3.25
Rupees Per Share

Contribution to National Exchequer
6,775
PKR in Million

Return on Capital Employed
15.35%

Agriculture Farms Addressed
20,877

Combined Safe Man Hours (HSE)
35.9 Million Hours

Permanent Emloyees
820

Trees Planted
9,000

Women Development
(Female staff in Head Office)
19%

Employee Turnover
8.16%

Staff Training
(Man Hours)
26,404

Investment in CSR
373 PKR in Million

Vision & Mission Statement

Vision

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

Mission

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

Corporate Values

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

Integrity

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

Innovation

We encourage creativity and recognize new ideas.

Teamwork

We work collectively towards a common goal.

Health, Safety, Environment & CSR

We care for our people and the communities around us.

Customer Focus

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

Excellence

We strive to excel in everything we do..

Valuing People

We value our people as our greatest resource

Code of Conduct

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

Ethics and Business Practices

- We believe in conducting the Company's business in a manner that respects, protects and improves the environment and provides employees with a safe and healthy workplace.

  We conduct our business in an environmentally responsible and sustainable manner. Employees must be completely familiar with the permits, Health Safety and Environment policy, local laws and regulations that apply to their work.

- All employees are expected to understand the laws and business regulations related to their work and comply fully so that our shareholders, employees, customers, suppliers, stakeholders and the Government have complete faith in the way we operate and that our business decisions are made ethically and in the best interests of the Company.
- Employees are obligated to act in accordance with the Company's code of Ethics and Business Conduct and are restricted to using only legitimate practices in commercial operations and in promoting the Company's position on issues before governmental authorities. Inducements intended to reward favorable decisions and governmental actions are unacceptable and prohibited.
- Employees are prohibited from using their positions, Company property or information for personal gain, and from competing with the Company. Employees are also prohibited from taking advantage from opportunities that become available through the use of Company information, property or their position.

Assets and Proprietary information

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

Relations with Business partners

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

Our Employees

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

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

Overall Strategic Objectives

We aim at creating value for all our stakeholders through continuing excellence in our operational efficiencies, strategic planning and a robust implementation plan for driving our market position. We will achieve this by focusing on our 'sustainable competitive advantage'. Our strategy is derived from continuous assembling and utilizing of our resources, in response to the changing market environment. We believe in the highest ethical values, best business practices, transparency in disclosure and engagement with all stakeholders for mutual growth and sustainability. We consider appropriate investments in people, infrastructure and diversification of our product line as major drivers behind corporate sustainability in the ever changing market. Our focus is to drive land productivity through balanced fertilizer application. Our key strategic priorities are:

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

Fatima is well placed to embark on diversification program through a well planned investment strategy.

Management's Objectives
and Strategies for meeting those objectives

S.No	Management Objectives	Strategies to meet objectives
1	Increase in Sales and Revenue	Through market share enhancement and geographical diversification while nurturing our relationship with existing customers.
2	Enhance marketing and sales productivity	Educating farmers on the use of Urea, NP, CAN, through state of the art use of technology.
3	Improve capacity utilization	Through process improvement and re engineering. Leverage technology.
4	Cost optimization	Through budgetary control efficiency and Cost reduction.
5	Nurturing robust corporate culture	Continuous improvement in our world class performance standards.
6	To achieve total customers' satisfaction	Brand strategies that make Sarsabz indispensable to customer's economics.
7	Ensure business continuity	Develop a Risk Management strategy and ensure continuous improvement in business processes.
8	Fair play and justice will govern all employee related policies	Providing career opportunities to talented professionals in an organized and transparent manner.
9	To remain a high performing organization	Creating an environment where ideas are generated, nurtured and implemented on time.

Significant changes in Objectives and Strategies

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

Relationship between Entity's Results and Management's objectives

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

Performance Measures and Indicators

Fatima uses critical performance measures and indicators against stated objectives of the Company.

Sr. No.	Objectives	CPI Measures
1	Ensure safety of employees and assets of the Company and strive for a safer work place	Compliance to the world's recognized OSHA's process Safety Management System, leading and lagging indicators and periodic audits.
2	Enhanced capacity utilization of the Company's production facilities	Number of days in production and ratio of energy utilization.
3	Effective human resource management through personal development. Creating an environment with room for professional growth of skilled personnel.	Higher return on human capital and increase in employee retention.
4	Effective marketing with innovative concepts	Increase in Sales volume and enhance customer satisfaction.
5	Effective implementation of Code of Corporate Governance	Complete adherence to corporate governance principles and reduction in contingencies.
6	Maximizing shareholder value	Higher EPS and Return on Equity, and efficient Cash flow management.
7	Continue supporting charitable institutions with financial assistance	Amount spent on CSR activities annually

Management strongly believes that the current Critical Performance Indicators will continue to be relevant in the future as well.

Nature of Business

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

The fertilizer complex is a fully integrated production facility occupying 947 acres of land located at Mukhtar Garh, Sadiqabad,District Rahim Yar khan.

Fatima plays a significant role in nourishing through its diverse fertilizer portfolio.

Company Profile

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

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

In October 2015 during a planned turnaround, Ammonia plant was successfully re-vamped to enhance its capacity by 10% along with improvement in the energy index and reliability at a cost of US $58 Million with the support of an engineering company M/S Haldor Topsoe of Denmark. All objectives of the re-vamp were achieved successfully.

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 well-managed school for children of employees and the local community, a medical center and a large number of sports facilities. The Company is listed on Pakistan Stock Exchange. The current paid up capital of the Company is PKR 2.1 billion.

Landmark Events

2003
Company Incorporation

2004
Gas Allocation

2005
GSA Signing

2006
April 2006
Ground Breaking

November 2006
Financial Closure achieved

2009
October 2009
Ammonia Furnace 1st Fire

November 2009
CAN Plant Production

2010
January 2010
Initial Public Offering

February 2010
Ammonia Plant Production

March 2010
Urea Plant Production

2011
April 2011
NP Plant Production

July 2011
Declaration of Commercial Operations

2012
May 2012
Conversion and Redemption of Preference Shares

2013
Ammonia Revamp Study Completed

Basic Engineering Design contract for Ammonia Revamp awarded

2014
Contract with Dupont signed for PSM

Basic Engineering Design contract for Ammonia Revamp awarded

2015
Ammonia Plant Revamped to enhance capacity by 10%

Strategic acquisition of DH Fertilizers (now Fatimafert Limited)

Dupont declared Fatima Site OSHA Compliant at level 3.6

2016
Record production of 1.38 Million ton.

Issuance of Sukuk certificates. IPO over subscribed by more than 4 times.

Successful completion of Ammonia Revamp and Debottlenecking Project with "better than design" results.

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh
Director

Mr. Faisal Ahmed Mukhtar
Director

Mr. M. Abad Khan
Director

Mr. Muhammad Kashif Habib
Director

Mr. Peter Vang Christensen
Independent Director

Mr. Tariq Jamali
Nominee Director-NBP

Chief Financial Officer

Mr. Asad Murad

Company Secretary

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

Key Management

Mr. Arif-ur-Rehman
Chief Manufacturing Officer

Mr. Inam Ullah Naveed
Director Operations

Mr. Ahsan Qureshi
Chief Human Resource Officer

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Sardar Naufil Mahmud
Chief Information Officer

Mr. Salman Ahmad
Head of Internal Audit

Mr. Aftab Khan
Chief Supply Chain Officer

Mr. Asghar Naveed
Corporate HSE Manager

Audit Committee Members

Mr. Muhammad Kashif Habib
Chairman

Mr. Peter Vang Christensen
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. M. Abad Khan
Member

Mr. Tariq Jamali
Member

HR and Remuneration Committee Members

Mr. M. Abad Khan
Chairman

Mr. Peter Vang Christensen
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Legal Advisors

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

Auditors

M/s. Deloitte Yousuf Adil
Chartered Accountants, Lahore.
(A member firm of Deloitte Touche Tohmatsu Limited)

134-A Abubakar Block New Garden Town, Lahore.
Tel: +92 42 3591 3595-7
+92 42 3544 0520
Fax: +92 42 3544 0521
Web: www.deloitte.com.pk

Cost Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Service House
2nd Floor
2-Main Gulberg Jail Road,
Lahore, Pakistan
Tel: +92 42 3579 0901-6
Fax: +92 42 3579 0907
Web: www.kpmg.com.pk

Registrar and Share Transfer Agent

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

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak China Investment Company Limited ("NBFI")
Sindh Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Standard Chartered Bank , United Kingdom
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Registered Office / Head Office

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

Plant Site

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

Profiles of the Directors

Mr. Arif Habib
Chairman / Non-Executive Director

Mr. Arif Habib is the Chairman of Fatima Fertilizer Company Limited. He is also the Chief Executive Officer of Arif Habib Corporation Limited, director of Pakarab Energy Limited and Chairman of Pakarab Fertilizers Limited, Fatimafert Limited, Aisha Steel Mills Limited and Javedan Corporation Limited. Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan. Mr. Habib participates significantly in welfare activities. He is one of the trustees of Fatimid Foundation and Memon Health & Education Foundation as well as a director of Pakistan Centre for Philanthropy and Karachi Education Initiative.

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

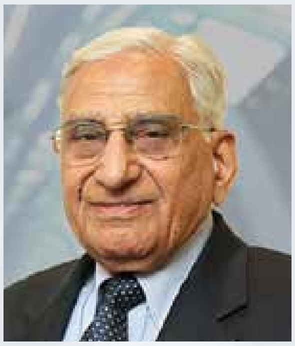
Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has rich experience of manufacturing and industrial management, and in addition to being a successful business leader, he is also a renowned philanthropist. Following his graduation, he has spent 30 years in developing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

Mr. Fazal Ahmed Sheikh
Executive Director

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

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

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



Mr. M. Abad Khan
Non-Executive Director

Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in Fertilizer manufacturing from abroad. He was part of the team that commissioned Pakistan's first Urea Plant under the aegis of PIDC. He served Exxon Chemical Pakistan Ltd. for 15 years mostly at senior management positions in manufacturing. He led Fauji Fertilizer Co. manufacturing for 14 years as General Manager Plant. During this period, Plant operated par excellence and the site capacity increased to more than double. In 2001, when FFBL faced serious challenges, he took responsibility as head the manufacturing and was instrumental in smooth operation and a major revamp of 25 % capacity.
He has been with Fatima Group for the last 11 years and played a significant role in setting up and progress of Fatima Fertilizer plant and operational improvements in Pak Arab Fertilizer.
During the course of a long career, he had extensive international exposures through seminars, symposiums and trainings including one at Harvard Business School.
He is also Director of several other Group Companies namely Fatima Energy Ltd, Pakarab Energy Ltd, Fatimafert Ltd, Fatima Ventures (Pvt) Ltd, Fatima Cement Co Ltd and Fatima Electric Co Ltd.

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 the CEO of Power Cement Limited and Safe Mix Concrete Limited. He is also Director of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Fatimafert Limited, Bubber Sher (Pvt) Limited, Reliance Sacks Limited, Javedan Corporation Limited, Aisha Steel Mills Limited, Rotocast Engineering Company (Pvt) Limited and a trustee of Memon Health & Education Foundation.

Mr. Peter Vang Christensen
Non-Executive Director

Mr. Peter Vang Chirstensen holds a BSc in Chemical Engineering from Technical University of Denmark and a degree in Business Engineering from Copenhagen Engineering College. He is employed with Haldor Topsøe A/S since 1992, and is currently working as Vice President, Licensing and Project Sales, Chemical Business Unit. Over the years, he has acquired vast experience in varied engineering fields including Petrochemical Plants, Process Engineering, Start-up Engineer, Project Manager and Project Sales. He is currently responsible for licensing and project sales for the chemicals business areas, including Ammonia, Methanol, Hydrogen, Syngas, Formaldehyde, DME and SNG plants. He brings in vast experience and technical management know how for Fatima.

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

Mr. Tariq Jamali is SEVP & Group Chief Assets Recovery Group. Previously he headed Logistic Support Group, Commercial & Retail Banking Group and Group Chief Compliance since 2009. He joined NBP in 1987 and has held numerous Senior Management positions at Regional and Head Office levels. He has an overall working experience of more than 26 years at different key positions. He holds an MBA degree from University of Dallas.

Board Structure and Committees

Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. It comprises of eight directors, seven of whom have been elected by the shareholders for a term of three years which expires on April 30, 2017 and one director is the nominee of National Bank of Pakistan. There are two executive directors including the Chief Executive Officer and six non-executive directors including the Chairman, Nominee Director and Independent Director. The Board provides leadership and strategic guidance to the Company, oversees the conduct of business and promotes the interests of all stakeholders. It reviews corporate policies, overall performance, accounting and reporting standards and other significant areas of management, corporate governance and regulatory compliance. It also reviews and approves the annual budget and long term strategic plans. The Board is headed by the Chairman who manages the Board's business and acts as its facilitator and guide. The Board is assisted by an Audit Committee and a Human Resource and Remuneration Committee while the CEO carries responsibility for day to day operations of the Company and execution of Board policies.

Board Committees

The standing committees of the Board are:

Audit Committee

Composition

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

Mr. Muhammad Kashif Habib
Chairman

Mr. Peter Vang Christensen
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. M. Abad Khan
Member

Mr. Tariq Jamali
Member

Terms of Reference and Salient Features

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

- to monitor the quality and integrity of the Company's accounting and reporting practices;
- to oversee the performance of 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 consist of four members of the Board. All of the members of the Committee are non-executive directors including the Chairman and one Independent Director. The members are:

Mr. M. Abad Khan
Chairman

Mr. Peter Vang Christensen
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Terms of Reference and Salient Features

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

1. Duties and Responsibilities

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

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

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

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

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

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

1.6 to perform 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 authorized and empowered:

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

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

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

Key Management

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

Mr. Arif-ur-Rehman
Chief Manufacturing Officer

Mr. Arif-ur-Rehman joined Fatima in early 2007 and led the project successfully as Project Director. After project commissioning, he led the Manufacturing Division as 'Director Operations' and steered the site through number of energy improvement and capacity enhancement initiatives, thus achieving above design capability. Since July' 2016, he has moved to Head-office in Lahore and now oversees the Fertilizer Manufacturing and Supply Chain functions of Fatima Group. He is a Chemical Engineer with over 34 years of experience in the fertilizer and petrochemical industries. His experience includes tenures with Fauji Fertilizer plant at Goth Macchi where he was part of a successful project team, Fauji Fertilizer Bin Qasim plant and ICI PTA Bin Qasim plant.

Mr. Inam Ullah Naveed
Director Operations

Mr. Inamullah Naveed Khan is working in Fatima Fertilizers as Director Operations, Plant site, Sadiqabad. Previously Inam served as Vice President at Engro Fertilizers. He started his career with Snamprogetti, SpA of Italy and had experience of EPC of two world scale plants. Out of 7-years with Snamprogetti, 4-years were international experience.
Inam joined Exxon/Engro in 1987 and had diversified experience throughout his career. His main assignments included the Ammonia-Urea relocation project during which he was assigned at the Ammonia dismantling site at Pascagoula, MI, USA for one year. On his return he provided leadership on several DBN and Revamp projects. He served as Maintenance Manager for 4-years and Admin Manager for 3-years and then took-over as GM Manufacturing in 2003. In 2007 he was assigned as VP / Project Executive of the Billion $, EnVen-1.3 project which was world's biggest single train Ammonia-Urea project. He led the team to successful EPC of the plant in December 2010. On merger of all the plants after EnVen project he took-over as VP Manufacturing in 2011. Inam retired as Vice President, Manufacturing from Engro Fertilizers in March 2016 after a service of more than 29-years.

Mr. Asad Murad
Chief Financial Officer

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In over 20 years' career, he has held various senior management positions in the areas of financial management, strategic business planning, risk management and corporate compliance. He has also served as Chief Financial Officer at Honda Atlas Cars (Pakistan) Limited, a subsidiary of Honda Motor Company, Japan. He joined Fatima Group in 2010 as Group Head of Internal Audit before being appointed to his current position as the Chief Financial Officer of the Company. As additional role, he is presently heading the Sales & Marketing function as well.

Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Ausaf Ali Qureshi is a Fellow Member of Institute of Chartered Accountants of Pakistan. He joined the Group in May 2010 as Company Secretary with additional responsibility for investor relations. He has over 34 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol- Myers Squibb (BMS). In his 20 years' plus career at BMS, he held various senior management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.

Mr. Ahsan Qadir Qureshi
Chief Human Resource Officer

Ahsan joined Fatima Group in 2017 as Chief Human Resource Officer. Prior to this role, he held several senior Human Capital leadership roles in his 25 year long career with renowned companies such as General Electric (Canada), HSBC Bank (Asia Pacific), Abu Dhabi National Energy Company and Mubadala Investment Company (UAE). He holds a post graduate diploma in Human Resource Humber College, Toronto and Master's in Business Administration with HR specialization from University of Leicester, UK. He also holds a Bachelor of Commerce and Masters in International Relations. Ahsan is also a certified Green Belt Six Sigma from General Eelectic.

Mr. Iftikhar Mahmood Baig
Director Business Development

Iftikhar Mahmood Baig is Director Business Development of Fatima Group. He is a Fellow Member of Institute of Chartered Secretaries and Managers of Pakistan. He has over 30 years of Financial and Commercial experience in dealing with business concerns. He started his carrier from Textile and Sugar industry. During his over two-decade tenure with Fatima Group, he had been associated with sugar, textile, International Trade, Power and Fertilizer project from planning, commissioning and operational stages. He played an important role in the acquisition of Pakarab Fertilizers Limited in 2005. He played an instrumental role in successfully achieving Financial Close of the largest rupee syndication of Rs.23 billion in 2006 for the green field fertilizer manufacturing complex of Fatima Fertilizer Company Limited (Investment US$ 750 million). He was associated with co-generation power project of 120 MW; Fatima Energy Limited, from conceptual stage until its implementation. He is currently assigned to deal and resolve Group's industrial and other issues with Government and regulatory bodies. He has represented the Group on legal issues in High Court and Supreme Court of Pakistan. He has previously served in senior positions in Group companies as CFO and Company Secretary.

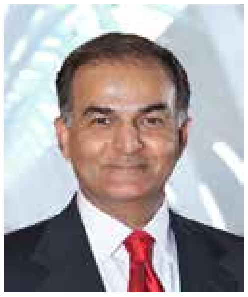
Mr. Qadeer Ahmed Khan
Director Special Projects

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 over 39 years of working in chemicals and fertilizer industries. Before joining Fatima Group as Director Operations Pakarab Fertilizers in 2008 he worked at Engro Chemicals and Engro Polymers for over 32 years, where he held various senior management positions.

Mr. Ahsen-ud-Din
Director Technology Division

Mr Ahsen-ud-din has around 34 years of professional experience with leading companies like Engro Corporation (formerly Exxon Chemical Pakistan), Fauji Fertilizer and Kuwait National Petroleum. During his career, Mr Ahsen-uddin has a track record of executing multi-million dollar petrochemical and fertilizer projects and efficiently managing fertilizer and petrochemical manufacturing facilities with world class HSE performance.

Key Management (Contd.)



Sardar Naufil Mahmud
Chief Information Officer

Mr. Sardar Naufil Mahmud joined Fatima Group in January 2017. Mr. Naufil has over 28 years of successful leadership experience in companies such as K - Electric Limited, Dewan Mushtaq Group and ICI Pakistan Ltd. He holds an MSc in Computer Science from Syracuse University, New York and a BSc in Electrical Engineering from the University of Engineering and Technology, Lahore . His previous assignment was as CIO, K-Electric Limited.

Mr. Salman Ahmad
Head of Internal Audit

Mr. Salman Ahmad joined Fatima Fertilizer as Head of Internal Audit in December 2016. Mr. Salman is a Fellow Chartered Accountant (FCA) from Institute of Chartered Accountants of Pakistan, with over 20 years of experience in Audit and Finance in companies like Alrostamani Group Dubai UAE; Oasis Group Holdings (South Africa); Gharibwal Cement Limited and Emaar. Mr. Salman has served Fatima Fertilizer in the Internal Audit function for two years in the past and has rejoined Fatima Group in 2016.

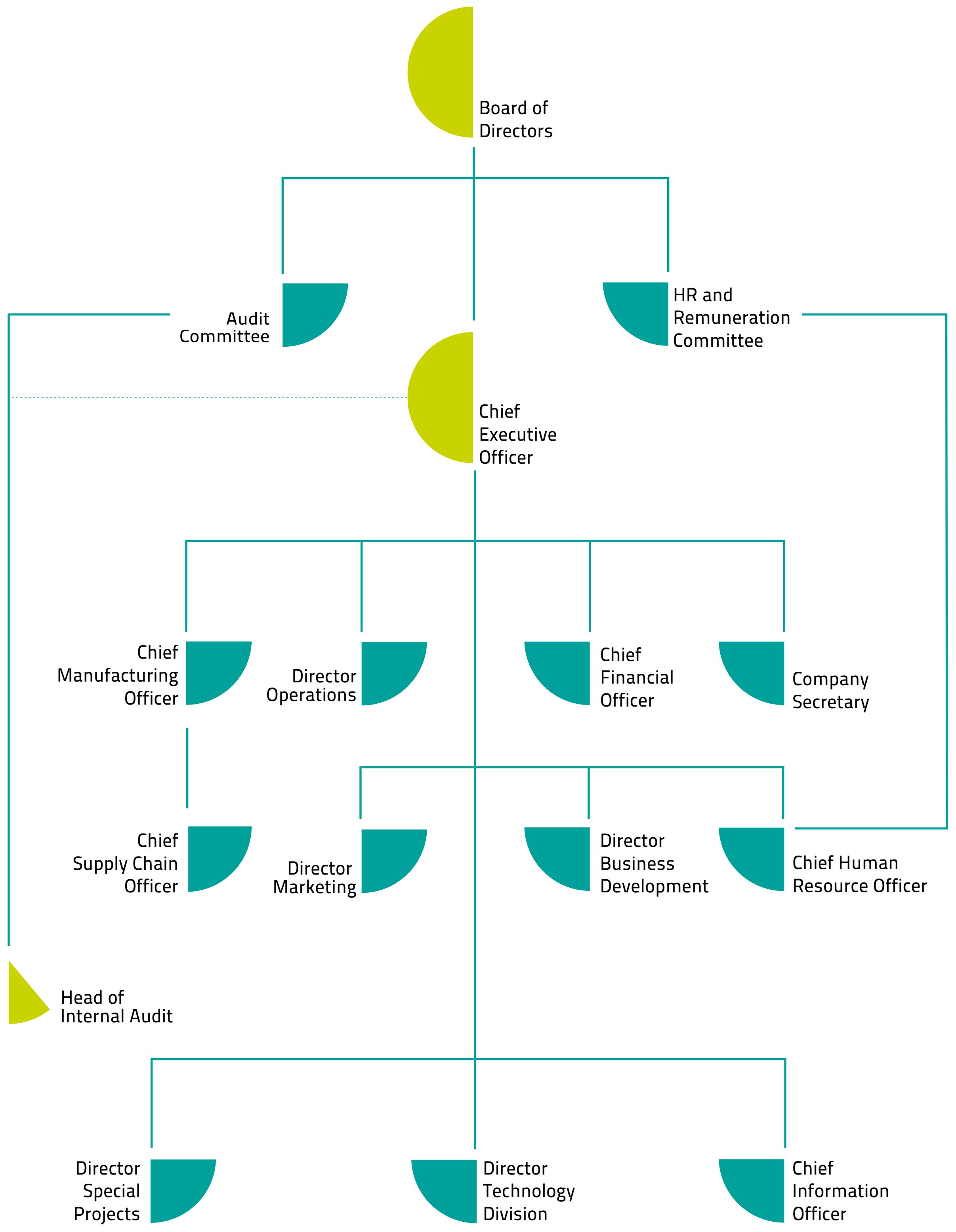
Mr. Aftab Khan
Chief Supply Chain Officer

Mr. Aftab Khan is an MBA, a Fellow of the Chartered Institute of Purchasing & Supply, UK as well as a Fellow of the Chartered Institute of Logistics & Transport, UK. He has over 27 years of successful leadership experience gained within the leading British, American, European and Middle Eastern companies at both national and international levels. He is well experienced in delivering value to customers and stakeholders and in developing people and processes.

Mr. Asghar Naveed
Corporate Health, Safety and Environment Manager

Mr. Asghar Naveed possesses 22 years of high-end experience, with particular focus on Health, Safety and Environment (HSE). He holds a degree in chemical engineering along with various diplomas in HSE. In addition to Fatima he has additional responsibilities for other Fatima Group Companies for developing and implementing high quality standards and systems for HSE. He is also responsible for ensuring the plant reliability and performance by providing technical support. He is a renowned speaker at national and international forums, and has authored various publications. He is a key player in taking the organization towards operational and business excellence.

Organizational Chart



Business Review

Chairman's Message

In 2016 Fatima Fertilizer Company Limited delivered on its promise of driving sustainable growth in both revenues and profitability. The Company performed better than the Fertilizer sector overall. Both, Production and Revenue grew by 19% and 12% respectively over the last year. We are proud of our manufacturing excellence, which saw another year of growing efficiency and high HSE standards. Our Marketing and Sales teams performed extremely well in difficult market conditions. In particular our farmer technical support programs have started yielding positive results and both NP and CAN have exceeded expectations. We are confident that if the Government continues its policy to make Pakistan's agriculture sector more viable, our farmers will derive increasing benefit from balanced and optimal use of fertilizers. We look forward to increasing operational excellence and with your support continuing our growth trajectory in the years to come.

Mr. Arif Habib
Chairman

چیئرمین کا پیغام

سال 2016 میں فاطمہ فرٹیلائزر کمپنی لمیٹڈ نے اپنے وعدے کے مطابق آمدنی اور منافع میں اپنی پائیداری کو قائم رکھا۔ کمپنی نے مجموعی طور پر فرٹیلائزر کے میدان میں بہتر کارکردگی کا مظاہرکیا۔ آخری سال سے پیداواراور آمدن میں بالترتیب 19% اور 12% کا اضافہ ہوا۔ ہمیں اپنی بہترین پیداواری عمل پر فخر ہے، جس نے اس سال بھی اپنی بڑھتی ہوئی کارکردگی اور HSE کے بلند معیار کو قائم رکھا۔ ہماری سیلز اور مارکیٹنگ ٹیم نے مشکل حالات میں بھی بہترین کارکردگی دکھائی۔ خصوصاً ہمارے کسان کے تکنیکی امداد کے پروگرام نے مثبت نتائج دینے شروع کر دیے ہیں اور NP اور CAN نے امید سے بڑھ کر نتائج دیے۔ ہمیں یقین ہے کہ اگر حکومت پاکستان زرعی شعبے کو قابل عمل بنانے کی پالیسی کو جاری رکھے تو ہمارا کسان طبقہ کھاد کے متوازن اور زیادہ سے زیادہ استعمال سے فائدہ حاصل کرے گا۔ ہم تیاری کے عمل میں مزید بہتری لانے اور آپ کی حوصلہ افزائی کے ذریعے آنے والے سالوں میں بھی ترقی کی تیز رفتار کے متمنی ہیں۔

CEO's Message

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

It is with great pride that I report again this year that your Company has continued to grow and consolidate. The year 2016 was a highly successful year from many perspectives. We set new benchmarks in sales volume, production and HSE resulting in achievement of the highest profitability levels since the Company's incorporation despite a very competitive and unfavorable market environment in the early part of the year. As a result of our very successful De-Bottlenecking and Revamp project of the Ammonia Plant, the overall production in 2016 increased by 10%.

Our Sales, Marketing and Technical services have delivered on their promise and the farmer community is now seeing the benefits of balanced use of fertilizer nutrients. We appreciate the Government realization that improving farm economics is essential to food security and economic growth. Government's support to the farmer through the "Kissan Package" was well received by the Industry and the rural community.

Your Company has continued to strengthen its market position and has outperformed the industry this year. I would like to thank all employees for their hard work and dedication. The Fatima team has proudly come together to make your Company a great place to work and grow.

چیف ایگزیکٹو آفیسر کا پیغام

میں بڑے فخر کے ساتھ آپ کو مطلع کر رہا ہوں کہ آپ کی کمپنی نے ترقی کرنا اور مستحکم ہونا اس سال بھی جاری رکھا۔ سال 2016 کئی اعتبار سے بہت کامیاب سال تھا۔ اس سال کے آغاز میں ہم نے مسابقتی اور نا مساعد حالات کے باوجود فروخت کے حجم، پیداوار اور ایچ ایس سی میں نئے معیار قائم کیے جن کی وجہ سے کمپنی منافع میں اپنی آج تک کی بلند ترین سطح پر پہنچی۔ ہماری پیداواری صلاحیت کا عمل نئے معیار بناتا چلا جا رہا ہے۔ 2016 میں رکاوٹیں دور کرنے اور امونیا پلانٹ کی مزید بہتری کے کامیاب منصوبے کے نتیجے میں مجموعی پیداوار میں %10 اضافہ ہوا۔

ہماری فروخت، مارکیٹنگ اور تکنیکی سہولیات نے وعدے کے مطابق کام کیا اور اب کسان برادری کھاد کی غذائی اجزاء کے متوازن استعمال کے ثمر حاصل کر رہی ہے۔ ہم حکومت کے جذبے کے معترف ہیں کہ اسے احساس ہے کہ زرعی معیشت کی بہتری، خوراک کی حفاظت اور معاشی ترقی کا جزولاینفک ہے۔ ''کسان پیکج'' کی شکل میں حکومت کی کسانوں کے لیے امداد، اس صنعت سے جڑے لوگوں اور دیہی علاقوں میں خوش دلی سے قبول کی گئی۔

آپ کی کمپنی منڈی میں اپنا تسلط مضبوط رکھے ہوئے ہے اور اس سال اس صنعت کی اپنی بہترین کارکردگی کا مظاہرہ کیا۔ میں تمام ملازمین کا شکریہ ادا کرنا چاہتا ہوں کہ انہوں نے انتھک محنت اور انتہائی لگن سے کام کیا۔ فاطمہ ٹیم آپ کی کمپنی کو کام کرنے اور نشونما پانے کے لیے بہترین جگہ بنانے کے لیے فخر کے ساتھ متحد ہوئی ہے۔

Directors' Report

to the Shareholders for the Year Ended December 31, 2016

The Directors of the Company are pleased to present the Annual Report for the year 2016.

It gives us great pride in presenting to our shareholders that the year 2016 with all its challenges brought out the best in us. With a solid foothold in the national market and ambitions for penetration into the international market, Fatima stays committed to add value to our stakeholders through sustainable growth.

Year 2016 was a great year for Fatima family. While capitalizing on late last year's Government support to the farmer through the "Kissan Package", your Company strengthened its market position and outperformed the industry. Well planned and efficiently organized marketing strategies supported by improvement of plant reliability and operations, enabled us to shrug off general negative performance and sentiment in the fertilizer market (carried forward from last year). In 2016, new benchmarks have been set in terms of unprecedented achievement of production and sales volumes, leading to "highest ever" profitability for the Company and dividends to its stakeholders.

Market Overview

Fatima is deeply committed to improving the lives of all our customers and other stakeholders. With a unique product portfolio and widespread network of warehouses, we continue to serve and protect the interests of millions of progressive farmers across the fertile lands of Pakistan.

The year 2016 proved to be a challenging year for the Fertilizer industry. Throughout the year the industry was affected by over-supply, price fluctuations, subsidy execution and climbing inventories. In Pakistan, the urea market decreased by 2% to 5.495 million in 2016 from 5.596 million in 2015. Major decrease was due to poor crop prices for rice, sugarcane, potato and cotton and therefore deterioration in farmer economics. During the first 6 months of 2016, the Urea industry sales decreased by 36% over the same period in 2015. Realizing state of the rural economy, Government of Pakistan announced the Kissan Package with subsidy on both Nitrogen and Phosphate fertilizers. In case of Urea, the total relief of Rs. 390 per bag was provided; comprising of subsidy of Rs.340 per bag by the government and Rs.50 per bag from the local manufacturers of Urea. Resultantly, in the second half of 2016, the Urea market showed an increase of 34% over the same period in 2015.

In case of DAP, price advantage due to reduced prices in international market along with subsidy of Rs.300 per bag from Government was passed on to the farmers. Both these factors clubbed together supported DAP off take leading to 22% YOY growth in DAP to 2.19 million tons in 2016 from 1.80 million tons in 2015.

We at Fatima, forecasted and set bold targets after thorough analysis of sales trends, resources on the ground and our potential, translating into the most challenging target ever set for the Team. Numerous system

improvements and technical service enhancements were carried out which made our operations more efficient and robust. Our proactive approach and continuous drive to achieve excellence were the key success factors to beat all odds.

(More details are available on Marketing and Sales section on page 60).

Company Performance

The low-key start to the year was due to expectation of price reduction primarily from inclusion of Nitrogenous fertilizer in subsidy regime. Delayed announcement of subsidy muffled the off-take situation in the first half of the year; leading to over-supply situation and inventory stockpile with the manufacturers.

The sales momentum started to build from the start of the third quarter of the year after subsidy announcement on Nitrogenous fertilizer including reduction of Sales Tax rate from 17% to 5% for Urea. Resultantly the subsidized market prices of Urea and DAP fertilizers were lowered to Rs. 1400 and Rs. 2500 per bag respectively leading to favorable farm economics.

The above factors coupled with effective marketing strategies led the Company to achieve record sales mentioned earlier. NP sales increased phenomenally by 63%. The sales of CAN and Urea were also higher by 18% and 11% respectively. With effective market penetration, NP continues to go from strength to strength as farmers' awareness of the benefits of the product increases.

Financial Performance

Warding off the impact of low first half sales this year, the Company achieved highest ever sales volume in the second half of the year cumulating in achievement of highest ever sales volume in a financial year.

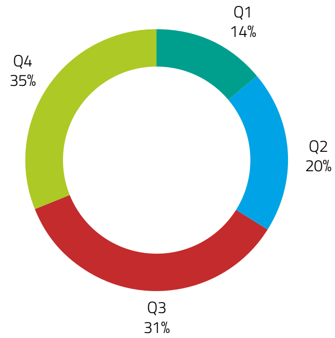
Sales performance in 2016 was in total contrast to the year before where a strong sales performance in the 1st half of 2015 was marred by drop in crop prices, increase in fertilizer prices to mitigate impacts of gas price increase and delay in implementation of the Farmer Relief Plan and "Kissan Package" announced by the Government in 2nd half of the year, resulting in lower application of fertilizers and buildup of fertilizer inventories.

In 2016, NP was again the major contributor to the revenue with 44% share while Urea and CAN contributed 32% and 23% respectively.

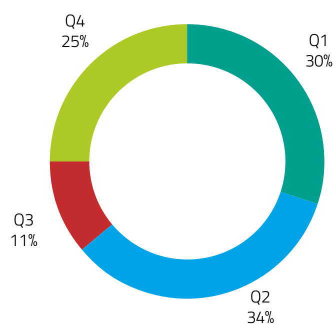
The overall sales volume increased by 28% in 2016. Some factors however did impact the Company's revenue negatively. The reduction of DAP prices in the international market impacted NP, prices of which are pegged to DAP. Further, Government reduced sales tax rate from 17% to 5% for Urea only. The resulting price reduction of Urea impacted CAN price also (whose prices are pegged to Urea) as the higher sales tax impact on CAN had to be absorbed by the Company. Despite the reduction in sale prices, 28% increase in sales volumes led to 12% increase in overall revenues in 2016.

	Sales Volume	
Product	**2016 Tons**	**2015 Tons**
Urea	391,123	353,914
CAN	379,050	320,528
NP	435,650	267,961
Total	**1,205,823**	**942,403**

Sales Volume – 2016



Sales Volume – 2015

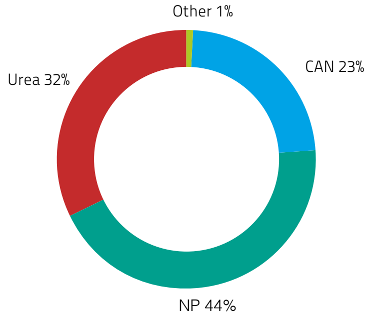


Financial Highlights

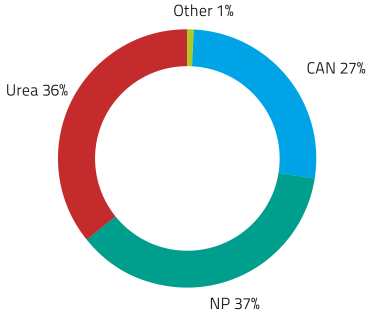
	2016		2015		2014		2013	
	PKR Million	% age	PKR Million	% age	PKR Million	% age	PKR Million	% age
Turnover	33,765		30,226		36,169		33,496	
Gross Profit	17,985	53.27	17,017	56.30	21,461	59.34	19,711	58.85
EBITDA	16,186	47.94	15,590	51.58	19,507	53.93	18,021	53.80
Profit after Tax	9,782	28.97	9,254	30.62	9,258	25.60	8,022	23.95
EPS (PKR)	4.66		4.41		4.41		3.82	

Due to increase in sales revenues, efficient and effective cost management in 2016, your Company achieved the highest ever net profit of PKR 9.78 billion showing an increase of 6% over net profit in 2015. Earnings per Share has improved to PKR 4.66 from PKR 4.41 last year.

Sales Mix – 2016

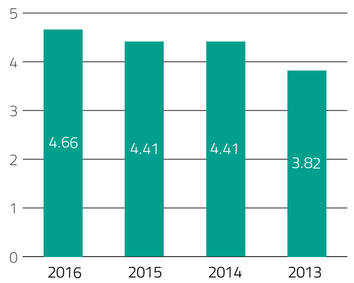


Sales Mix – 2015



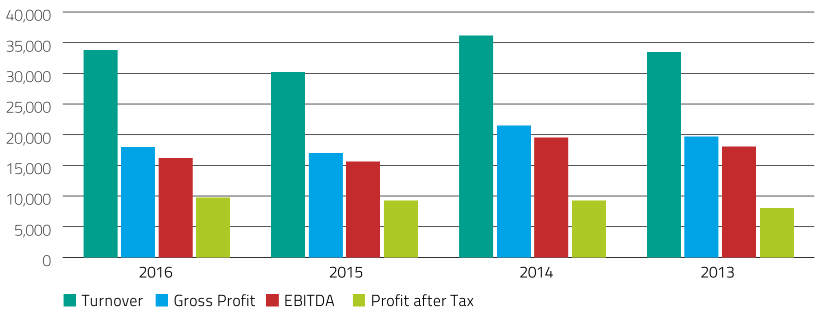
Earnings Per Share

Rupees



Financial Performance

Rupees in Million



کمپنی کی کارکردگی:

جب نائٹروجنیس کھاد کو سبسڈی دی گئی تو عام طور پر خیال تھا کہ قیمتوں میں کمی آئے گی جس کی وجہ سے سال کے آغاز میں کمپنی کی رفتار دھیمی رہی۔

سال کی پہلی ششماہی میں سبسڈی کے اعلان میں تاخیر کی وجہ کمپنی کے اڑان نہ بھرنے کا باعث بنی۔ جس کی وجہ سے مال بنانے والے رسد کی زیادتی کا شکار ہوئے اور مال گوداموں میں ہی پڑا رہا۔ تیسری سہ ماہی کے آغاز میں نائٹروجنیس کھاد پر حکومتی سبسڈی کے اعلان اور یوریا کے سیلز ٹیکس میں 17% سے 5% کمی کی وجہ سے سیلز کی رفتار میں اضافہ ہونا شروع ہوگیا۔ نتیجتاً یوریا اور DAP کھاد کی قیمتیں بالترتیب 1400 اور 2500 روپے فی بوری ہوگئی جس کی وجہ سے زرعی معاشی حالات سازگار ہوگئے۔

مندرجہ بالا وجوہات اور کمپنی کی مارکیٹنگ میں مؤثر حکمت عملی کی وجہ سے کمپنی کی آج تک کی سب سے زیادہ سیلز ریکارڈ ہوئی۔ NP کی فروخت میں 63% کا زبردست اضافہ ہوا CAN اور یوریا کی فروخت میں بھی بالترتیب 18% اور 11% اضافہ ہوا۔ جیسے جیسے کسانوں کو مصنوعات کی افادیت کا علم ہوتا گیا ویسے ویسے NP کی طاقت بڑھتی چلی گئی۔

مالی کارکردگی:

اس سال کی پہلی ششماہی میں کم فروخت کے اثرات کی پرواہ نہ کرتے ہوئے، کمپنی سال کی دوسری ششماہی میں فروخت کے حجم کی بلند ترین سطح پر پہنچی جو کہ کسی بھی مالی سال کی تاریخ کا سب سے زیادہ فروخت کا حجم ہے۔

سال 2016 میں فروخت کی کارکردگی پچھلے سال سے بالکل مختلف رہی جبکہ 2015 کی پہلی ششماہی کی انتہائی مضبوط سیلز کارکردگی پر فصل کی قیمتوں میں کمی، کھاد کی قیمتوں میں اضافہ جس کی وجہ گیس کی اضافی قیمتوں کا اثر کم کرنا اور کسان کی امداد کے منصوبے میں تاخیر اور سال کی دوسری ششماہی میں حکومت کی طرف سے ''کسان پیکج'' کا اعلان تھا، نتیجتاً کھاد کا استعمال کم رہا اور اس کا ذخیرہ بڑھا۔

سال 2016 میں NP ایک بار پھر آمدنی میں سب سے زیادہ 44% حصص کے ساتھ جبکہ یوریا اور CAN نے بالترتیب 32% اور 23% کی شراکت کی۔ مجموعی طور پر سیلز حجم میں 28% اضافہ ہوا۔ دوران سال، عالمی منڈی میں DAP کی قیمتیں بہت حد تک مندی کا شکار رہیں۔ جس نے NP کو متاثر کیا جسکی قیمتیں DAP سے منسلک ہیں۔ مزید براں، گورنمنٹ نے صرف یوریا کے سیلز ٹیکس کی شرح میں 17% سے 5% تک کی کی، نتیجتاً یوریا کی کم قیمت نے CAN کی قیمت کو بھی متاثر کیا (جس کی قیمتیں یوریا سے منسلک ہیں) کیونکہ زیادہ سیلز ٹیکس کے اثر کو کمپنی کو برداشت کرنا پڑا۔

قیمت فروخت میں کمی کے باوجود سال 2016 میں سیلز حجم میں 26% اضافہ مجموعی طور پر آمدنی میں 12% اضافہ کی وجہ بنا۔

فروخت سے آمدنی میں اضافہ اور موثر لاگت کے نظام کی وجہ سے سال 2016 میں آپ کی کمپنی نے تاریخ کا سب سے زیادہ 9.78 ارب روپے بعد از ٹیکس ادائیگی منافع حاصل کیا جو کہ 2015 کی نسبت 6% زیادہ رہا۔ حصص پر آمدنی پچھلے سال کے مقابلہ میں 4.41 روپے سے 4.66 روپے تک بڑھ گئی۔

مجموعی مالی نتائج

فاطمہ فرٹ اور بہرشیر پرائیویٹ لمیٹڈ مکمل طور پر کمپنی کی ملکیت اور ذیلی ادارے ہیں۔ فاطمہ فرٹ بنیادی طور پر یوریا کی پیداوار اور فروخت میں مصروف ہے۔ سال 2016 کے دوران فاطمہ فرٹ نے 359,935 میٹرک ٹن یوریا پیدا کیا۔ منڈی کے ترقی پذیر محرکات کو مدنظر رکھتے ہوئے فاطمہ فرٹ نے سال کی آخری ششماہی میں 32974 میٹرک ٹن DAP برآمد کی۔ وفاقی حکومت کے کسانوں سے متعلق امدادی منصوبے کے اطلاق کے بعد فروخت کے حجم میں خاطر خواہ اضافہ ہوا اور سال کے دوران فاطمہ فرٹ نے 259,961 میٹرک ٹن یوریا اور 24,333 میٹرک ٹن DAP فروخت کیے۔ پیداواری اور فروخت کے حجم سال 2010 سے آج تک کی بلند ترین سطح پر ہیں۔

مستقبل پر نظر

سال 2016ء میں یوریا کی عالمی پیداوار میں 178 ملین میٹرک ٹن کے 2% کا اضافہ ہوا۔ یوریا کی ترسیل نے 2016 میں مسلسل تیسری دفعہ 128 ملین میٹرک ٹن کی سطح کو چھوا۔ 2017ء میں یوریا کی عالمی فروخت 183 ملین سے بڑھ جانے کا امکان ہے لیکن یورریا کی عالمی برآمدات میں کمی اور کم و بیش 47-46 ملین میٹرک ٹن رہنے کا امکان ہے۔ عالمی منڈی میں پہلے جو ممالک مثلاً (پاکستان اور امریکہ) جو کہ اس کو بڑی تعداد میں برآمد کرنے والے ملک تھے نے تجارت کو دوسری جانب منتقل کردیا جس کے بعد عالمی منڈی میں نائٹروجن سیکٹر کے لیے کڑا امتحان یہ ہوگا کہ اضافی پیداوار اور اضافی رسد کے لیے راستے تلاش کرے۔

یوریا کی درآمد کی طلب ایک اندازے کے مطابق جنوبی ایشیا میں 10% اور لاطینی امریکہ میں 4% بڑھ جائے گی۔ مقامی طور پر یوریا کی پیداوار کی مناسب رسد مہیا ہونے کے بعد پاکستان نے یوریا کی درآمد ختم کردی ہے۔

دنیا میں فاسفیٹ کے استعمال میں اضافے نے، 2015ء کے مقابلے میں 2016ء میں روشن علامات کا اظہار کیا، خصوصاً جنوبی ایشیاء اور لاطینی امریکہ میں فاسفیٹ روک اور فاسفورک ایسڈ کی پیداوار عالمی سطح پر جامد رہی۔ جبکہ تیار شدہ فاسفیٹ کی پیداوار میں 2% اضافہ ہوا۔ 2017ء میں یوریا کی طرح فاسفیٹ سیکٹر کو بھی موجودہ پیداواری صلاحیت کی فروخت کے نئے راستے کھولنا ہوں گے۔

2016ء میں عالمی منڈی میں یوریا اور DAP کی قیمتوں میں خاصی حد تک مندی کے بعد 2017ء کے آغاز میں قیمتوں میں نسبتاً اضافے کے بعد اب مستحکم رہنے کا امکان ہے۔ امونیا کو بہتر بنانے اور رکاوٹیں دور کرنے منصوبے امید سے بڑھ کر نتائج دے رہے ہیں اور کمپنی نے پیداواری عمل کی صلاحیت میں بہتری کے ثمرات حاصل کرنا شروع کردیئے ہیں۔ کارکردگی کو مزید بہتر بنانے کے لیے دی گئی خصوصی توجہ کے ساتھ فاطمہ فرٹیلائزر اپنی Site کو منظم قابل انتظام اور نتیجہ خیز طریقے سے عالمی معیار کی Site بنانے کے لیے مصروف عمل ہے۔

حکومت کی کسان دوست پالیسی جاری رہنے کی وجہ سے فرٹیلائزر سیکٹر کی پرواز 2017 میں مزید بہتر ہونے کی توقع ہے۔ فاطمہ فرٹیلائزر کمپنی نے کسانوں کو اضافی پیداوار اور مال کی دستیابی کے ذریعے مطلوبہ اجزاء مہیا کرنے کا تہیہ کیا ہوا ہے۔

کمپنی کی مستحکم آمدن کے ساتھ ساتھ کمپنی کے نئے مواقع کی تلاش میں خصوصی توجہ کی وجہ سے سال 2017 اور اس کے بعد بھی اسٹیک ہولڈرز کے لیے مزید آمدن متوقع ہے۔

Operations

The completion of Ammonia Plant De-bottlenecking project and successful commissioning of Waste Gas Boiler (WGB) at the end of April 2016 resulted in further improvement of Ammonia Plant production and energy index. After the commissioning of the WGB the feed fuel ratio has also improved considerably. Efficient performance of New / Revamped Cooling Tower and Cold Box, also helped in achievement of sustained levels of production with improved energy index all through the year.

Plant performance excelled with focus on efficiency improvement, occupational health and safety and risk mitigation. After implementation of new turnaround cycle to 18 months (previously 12-month cycle), and as a result of improved plant Production efficiency and reliability there were no planned shut downs during the year.

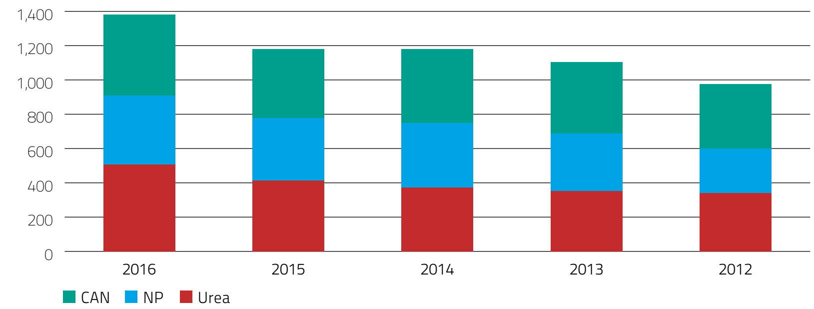
This further helped in achievement of highest ever production numbers in a calendar year, with all plants operating at more than their rated capacity levels.

Year 2016 was completed with TRIR of 0.20 (Total Recordable Incident Rate) against target of 0.22 and 35.80 million safe working hours.

Fatima Site was declared as OSHA compliant by DuPont at a rating of 3.63 in May' 2015. Currently efforts in hand to retain / improve the ratings, PSM 2nd Party audit by Corp. HSE & PFL team was conducted in August 2016 to established the gaps and implement the improvement steps.

Year 2016 was completed with TRIR of 0.20 (Total Recordable Incident Rate) against target of 0.22 and 35.80 million safe working hours. Extensive

Production
Metric Tons in '000'



Capacity Utilization

Plant	2016	2015	2014	2013	2012
Urea, CAN and NP	108%	92%	92%	86%	76%

Training Programs were conducted for Contractors' Safety.

New Permit To Work (PTW) system was launched at site and 5-S Program is being launched.

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

(More details are available on Operations section on page 57).

Gross Profit

Gross Profit for the year improved by 6% over last year to close at PKR 17.98 billion against PKR 17.02 billion. Continuous build up of inventories through the first half of the year resulted in fierce competition in the market in the second half of the year.

Gains from increase in sales volume were offset by the decline in market prices. However, due to efficient utilization of resources, improvement of plant efficiency and reduction in cost of some input materials, impact of sale price drop on Gross Profit margin were mitigated partially, leading to a drop in Gross Profit margin by only 3% to 53% from 56% achieved in last year.

Distribution and Administrative Cost

Distribution costs increased by 38% mainly due to increase in sale volumes, higher transportation cost and inventory management costs.

Administration costs include an increase in CSR activities of 65%. Being a responsible corporate citizen, the Company continued to increase contribution towards uplift of health and education sectors of the country.

Borrowing Cost

Finance Cost during the year increased by 15% to PKR 2.74 billion from PKR 2.38 billion last year. The finance cost on long term borrowing continued its downward trend and was further reduced by 26% due to contractual repayments and reduction on base rate. This was off-set with more than two times increase in short term borrowings due to heavy reliance on working capital lines during earlier part of the year. The expenses for the year also include heavy cost of issuance of Sukuk certificates to repay the expensive loans. The repayment will result in significant savings in future.

Dividends

The Board of Directors in its meeting held on March 16, 2017 has proposed a final Cash Dividend at the rate of PKR 2.00 per share i.e. 20% which will be submitted for approval of the members at the Annual General Meeting to be held on April 25, 2017. The financial statements do not reflect this proposed dividend. This will take the total payout to PKR 3.25 per share i.e. 32.50% including interim dividend of PKR 1.25 per share for the year ended December 31, 2016.

Financial Management

Despite intense financial pressures faced during earlier part of the year, all the financial commitments falling due during the year were met on time.

During the year the Company repaid the entire outstanding portion of expensive loans with the proceeds raised from issuance of listed Sukuk certificates. The markup rate on Sukuk is lower by 90 basis points which will result in significant cost savings for the Company. More than 4 times over subscription of IPO portion of the Sukuk reflects confidence of the investors on strong financial position of the Company.

Appropriations

	PKR in '000
Unappropriated profit brought forward	17,468, 946
Dividend 2015	–
Net profit for the year 2016	9,782,143
Profit available for appropriations	27,251,089
Appropriations:	
Interim dividend for the year 2016	(2,625,000)
Unappropriated profit carried forward	24,626,089

Consolidated Financial Results

Fatimafert Limited (FF) and Bubber Sher (Pvt.) Limited are wholly owned subsidiaries of the Company. FF is primarily engaged in the manufacturing and sale of Urea. During the year 2016 FF produced 359,935 MT Urea. Keeping in view the improving market dynamics, FF has also imported 32,974 MT DAP in the later half of the year. The sale quantities improved significantly after implementation of Farmer Incentives Plan by Federal Government and FF sold 259,961 MT Urea and 24,333 MT DAP during the year. Volumes produced and sold by FF are the highest since 2010.

On January 20, 2017, the shareholders of Bubber Sher (Pvt) Limited and FF have unanimously approved to merge the entire undertaking of Bubber Sher (Pvt) Limited along with its assets and liabilities with and into FF. The meetings were chaired by the Chairman appointed by the Honorable Lahore High Court, who has submitted his report to the Court. Final approval of the court is pending.

Summary of Consolidated Financial Results for the Year 2016 are as follows:

	PKR in Million
Sale	42,396
Gross Profit	18,694
Profit Before Tax	11,096
Profit After Tax	9,393

Financial Highlights

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

Contribution to National Exchequer and Economy

An amount of PKR 6.78 billion (2015: PKR 7.17 billion) was contributed during the year in respect of custom duties, sales tax and income tax. As a responsible citizen of the country, your Company contributed 19.8% (2015: 23.7%) of total revenue back to the economy.

Statement as to the Value of Investment of Provident Fund

The value of investment of the provident fund is PKR 446 million. The figure is unaudited for the year under review.

Directors' Report (Contd.)

Investment Plans

Investment in Midwest Fertilizer Company

With all necessary approvals from Economic Coordination Committee and the State Bank of Pakistan in place, the Company is set to make an Equity investment of USD 300 Million in the US project - Midwest Fertilizer Company. For this purpose, funds will be arranged through issuance of foreign currency bonds of equivalent amount. The investment is expected to add significant value for the shareholders of Fatima. Given size of the project and its complexity the remaining milestones are being diligently pursued and we expect the investment will progress later this year.

As per Regulatory requirement, the status of decision to make investment is as under:

Sr. No.	Description	Information Required
(a)	Total Investment approved	Up-to USD 300 million
(b)	Amount of Investment made to date	Nil
(c)	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The Company is authorized to make investment in Midwest Fertilizer Company LLC over a four (4) year period and waiting for an appropriate time in the best interest of the Company to issue foreign currency bonds and arrange funds for this investment.
(d)	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Nil

Other Investments

While leveraging its strong financial position, the Company is exploring further investment opportunities to create additional streams of income for the Company and its stakeholders. Project evaluations are in progress to identify sectors with best possible returns for future investments by the Company. To capitalize opportunities in Energy, Cement, Re-gasification, Real Estate and other sectors, Fatima will seek all the required approvals for its future investments in one or more projects.

Fatima along with other group companies has Board approval for investment in Fatima Electric Company Limited (FECL) of 14,000 fully paid ordinary shares of PKR 10 each, representing 40% issued and paid up share capital of FECL. FECL has been incorporated to bid in suitable Energy / Power sector projects to be announced by the Government. Further investment approvals for any project, if required, will be sought by Fatima after firm allocation of the project to FECL. Approval for this preliminary investment is being obtained at forthcoming Annual General Meeting.

Future Outlook

In 2016, World urea production posted growth of 2%, to 178 million MT. Global domestic deliveries of Urea, in 2016 rose for the third consecutive year to 128 million MT. Global Urea sales in 2017 are projected to exceed 183 million MT, but global urea imports would weaken and fluctuate around 46-47 million MT. In international markets, the main challenge facing the Nitrogen sector will be to secure new outlets for incoming additional supply from additional production and from trade tonnage diverted from formerly large importing countries (the US and Pakistan). Urea import demand is projected to increase by 10% in South Asia and 4% in Latin America. Due to availability of sufficient supply of locally produced Urea, Pakistan has stopped importing Urea.

World phosphate consumption showed signs of strong recovery in 2016 from the low level of 2015, notably in South Asia and Latin America. Global production of phosphate rock and phosphoric acid in 2016 was static, while processed phosphates production expanded by 2%. In 2017, like Urea, main challenge for the phosphate sector would be to secure new outlets for sale of available production capacities.

In international markets, prices of Urea and DAP, after witnessing considerable drop in 2016 and recovery at the beginning of 2017, are expected to remain stable to firm.

Investment in Ammonia Revamp and De-bottlenecking Project is giving better than expected results. Improvement of Plant efficiency and reliability has started giving dividends to the Company.

Improved Energy Index of Ammonia Plant and better Fuel Gas consumption are resulting in production of cost efficient products. With focused efforts to bring further efficiencies, Fatima is committed to transform its site to a World-Class site in a structured, manageable and result oriented manner.

With continuity of farmer friendly Government policies, fertilizer off take situation is expected to improve in 2017. Fatima is committed to play its role in providing required nutrients to the farms through additional productivity, availability of inventories of all the products, and enhanced plant efficiency and sustainability. Sustained earning of the Company coupled with its focused approach towards exploring opportunities to have additional streams of income are expected to improve earnings and values for the stakeholders in 2017 and onwards.

Code of Corporate Governance

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

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
b) Proper books of account of the Company have been maintained;
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements;
e) The system of internal control is sound in design and has been effectively implemented and monitored; 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

During the year under review, there has been no change in the human resource and remuneration committee members.

Board and Committees' Meetings and Attendance

During the year under review, five meetings of the Board of Directors, four meetings of Audit Committee and one meeting of HR and Remuneration Committee were held from January 01, 2016 to December 31, 2016. The attendance of the Board, Audit Committee and HR and Remuneration Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings	HR & Remuneration Committee
Mr. Arif Habib	4	N/A	N/A
Mr. Fawad Ahmed Mukhtar	3	N/A	N/A
Mr. Fazal Ahmed Sheikh	5	N/A	N/A
Mr. Faisal Ahmed Mukhtar	1	0	0
Mr. M. Abad Khan	5	4	1
Mr. Muhammad Kashif Habib	5	4	1
Mr. Peter Vang Christensen	2	1	1
Mr. Tariq Jamali	2	1	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 shareholding and categories of shareholders as at December 31, 2016, as required under the Pakistan Stock Exchange Regulations, have been annexed herewith.

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 of Pakistan Stock Exchange have been duly complied with.

Code of Conduct

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

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has maintained the long term and short term entity ratings of the Company at AA- and A1+ respectively. JCR-VIS Credit Rating Company has also maintained the long term entity rating of AA- and short term rating of A-1. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The ratings reflect strong business profile of the Company on the back of diversified product mix.

Trading in Shares of the Company by Directors and Executives

Name	Share Bought	Share Sold
Mr. Fawad Ahmed Mukhtar	–	*900,000
Mr. Fazal Ahmed Sheikh	–	*900,000
Mr. Faisal Ahmed Mukhar	–	*900,000
Mr. Syed Nadeem Shah	5,500	5,500
Mr. Sohail Ahmed	4,500	6,500
Mr. Muhammad Farooq	30,500	22,500
Mr. Syed Munawar Zaman	5,000	5,000
Mr. Tofique Ahmed	500	–
Mr. Muhammad Naveed	1,500	–
Mr. Farhan Chaudhry	1,500	1,500
Mr. Talat Mehmood	–	7,500
Mr. Rizwan Majeed	2,000	6,500
Mr. Ghulam Fareed	1,000	11,000
Mr. Muhammad Aamer	26,500	21,000

**Transferred via gift*

Internal Audit

Internal Audit function is effectively operating within the framework set out in Code of Corporate Governance and the charter defined by the Audit Committee of the Board of Directors. The Internal Audit function is progressing from a conventional function into a business partner and advisory role through proactive approach towards effective corporate governance by adding value in the business process and creating synergies at the group level. The board relies on the inputs and recommendations of the internal audit function through its Audit committee on the adequacy and effectiveness of internal controls in the organization and take appropriate measures.
The function is effectively monitoring the "Whistle Blowing Policy". Cases reported during the year were thoroughly reviewed/investigated and forwarded to the Corporate Integrity Committee for further scrutiny and actions were taken accordingly resulting in an enhanced sense of ownership, transparency and integrity amongst the employees.

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

External Auditors

M/s Deloitte Yousuf Adil Chartered Accountants, the retiring auditors of the Company, being eligible offer themselves for re-appointment. The Board Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 14th Annual General Meeting, as auditors of the Company for the year ending December 31, 2017 at a fee to be mutually agreed.

Health, Safety and Environment

Fatima is a company that is striving towards growth and excellence. We aim towards compliance of best standards while benchmarking with global industrial practices. We take pride to mention that, the Company has been certified and compliant on following standards:

- Quality Management Systems (QMS) ISO 9001:2008
- Environmental Management Systems (EMS) ISO 14001:2004; and
- Occupational Health and Safety Management Systems OHSAS 18001:2007
- DuPont Process Safety Management (Compliant at level of 3.6)
- IFA Protect and Sustain Stewardship
- IFC Performance Standards
- WWF Green Office Program : This aims to reduce our ecological footprint from the office buildings. In 2016 only, the organization was able to reduce its 03 KPIs (Paper, Power & Waste) by more than 5%.

By starting its HSE journey in 2010, Fatima visions to achieve excellence in all areas of Health, Safety and Environment by ensuring management commitment, project has been completed utilizing our internal resources and through the professional commitment of our own HSE team members. In 2015, Fatima manufacturing site was audited by DuPont - a world leader in HSE and operational excellence and declared it as Occupational Safety and Health Administration (OSHA) of USA and it is continuing to grow towards excellence by continuous efforts of line management. Achieving environmental and occupational certification was just the first step taken towards making the Company Eco-friendly, contributing towards our environment and ensuring implementation of high quality standards. The Company is also planning to move a step ahead towards world leading Environment and Industrial Hygiene Systems.
To take this further, a number of certifications have been planned for the coming years. Few major ones include DuPont Environment Management System, OSHA Compliance Level 4, Occupational Health Industrial Hygiene (OHIH), Responsible Care Management, Business Continuity and Enterprise Risk Management.
(More details are available on Health, Safety and Environment section on page 64).

Information Technology

The Information Technology (IT) division of Fatima provides an extensive range of computing and communication services, facilities and infrastructure for use by the employees of the Company. The IT division is aligned to the business needs of the organization, ensuring that the solutions delivered by the IT division are relevant to the needs of the business. The IT division is highly committed to protect the confidentiality, integrity and availability of information assets from possible threats whether deliberate or accidental that could potentially disrupt business continuity by taking into account all possible measures to ensure that business, regulatory, operational and contractual requirements are fulfilled.
(More details are available on Information Technology section on page 52).

Sustainability Initiatives and CSR

"Consumer brands that demonstrate commitment to sustainability outperform those that don't"*
Keeping our vision aligned with the needs of society we operate in, Fatima remains steadfast in its commitment of creating sustainable future while creating value for the community. Our CSR initiatives are based on strengthening our communities through education, vocational and skill development and health.

By integrating sustainability into our business model and purpose to the highest degree, we are helping the society we operate in and increase goodwill towards our brands. Fatima has been actively involved in the unfolding debate on corporate social responsibility. We promote transparency and best practice, and aim to help our stakeholders and partner organizations realize the growing importance of sustainability to them at the community at large.

**(the sustainability imperative new insights on consumer expectations published by the Neilson company October 2015).*

Human Resources and Employee Relations

Our strength is our people. Fatima's success today is owed to the dedication, commitment and hard work of our people. As we continue to grow in our business, we are committed towards acquiring the right talent, enhancing people capabilities and knowledge sharing in building a high performance culture; keeping diversity and inclusion at the heart.

While we ensure compliance with prevailing labour laws, we follow best practices in Industrial relations and ensure a productive and positive work environment for all.

(More details are available on Human Resource section on page 69).

Acknowledgments

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

For and on behalf of the Board

Fawad Ahmed Mukhtar	**Arif Habib**
Chief Executive Officer	Chairman

Lahore
March 16, 2017

Key Performance Indicators

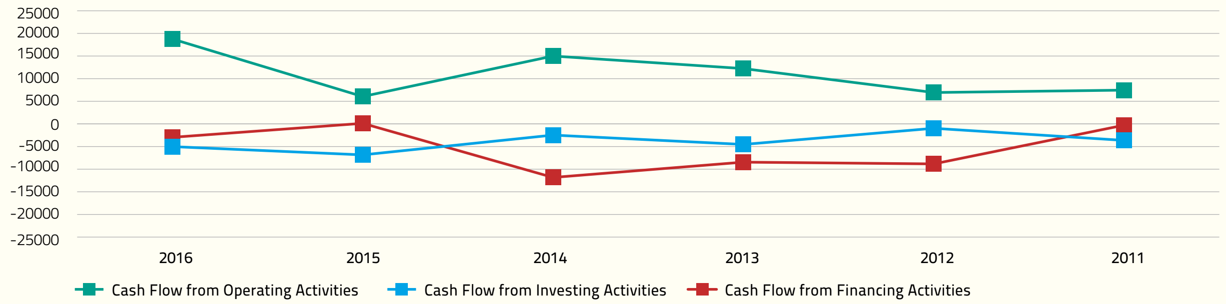
	Unit	**2016**	2015	2014	2013	2012	2011
PROFITABILITY							
Gross profit	%	53.27	56.30	59.33	58.85	58.49	67.77
EBITDA	%	47.91	51.58	53.93	53.80	55.35	66.48
Operating profit	%	42.55	46.08	49.53	49.23	50.32	61.69
Profit before tax	%	34.43	38.21	39.12	36.78	30.76	41.04
Net profit	%	28.97	30.61	25.60	23.95	20.70	27.75
Return on equity	%	20.65	23.00	25.19	24.49	21.11	14.68
Return on capital employed	%	15.35	17.33	17.11	14.48	10.38	6.36
Return on total assets	%	8.84	9.76	11.14	10.02	8.04	5.39
LIQUIDITY / ACTIVITY							
Current ratio	Times	1.03	0.66	0.97	0.81	0.68	0.84
Quick / Acid test ratio	Times	0.83	0.39	0.79	0.63	0.47	0.71
Debt to Assets	Times	0.57	0.58	0.56	0.59	0.62	0.63
Cash from operations to sales	Times	0.56	0.20	0.41	0.37	0.24	0.50
Inventory turnover	Times	2.38	2.73	5.46	5.29	6.58	3.64
Stock holding period	Days	153.61	133.80	66.80	68.98	55.45	49.72
Fixed assets turnover	Times	0.43	0.41	0.53	0.49	0.43	0.22
Total assets turnover	Times	0.33	0.34	0.44	0.43	0.39	0.20
CAPITAL STRUCTURE							
Debt : Equity		32:68	33:67	39:61	47:53	52:48	57:43
Interest cover	Times	5.24	5.85	4.76	3.96	2.57	2.99
Financial leverage	Times	0.63	0.75	0.66	0.94	1.27	1.42
Debt service coverage	Times	1.69	1.78	2.01	2.18	1.86	3.22
Total liabilities to net worth	Times	1.33	1.36	1.26	1.44	1.63	1.72
Weighted average cost of debt	%	7.38	9.53	11.38	11.98	14.83	15.91
INVESTMENT / MARKET							
Market price per share	Rs	36.89	44.73	35.77	28.56	26.40	22.92
Book up value per share	Rs	22.56	19.16	17.50	15.60	13.78	14.03
Market to book value per share	Times	1.64	2.33	2.04	1.83	1.92	1.63
Basic earnings per share	Rs	4.66	4.41	4.41	3.82	2.86	1.90
Diluted earnings per share	Rs	4.66	4.41	4.41	3.82	2.86	1.85
Price earning	Times	7.92	10.15	8.11	7.48	9.24	12.06
Dividend per share	Rs	3.25	–	2.75	2.50	2.00	1.50
Dividend cover	%	143.33	–	160.31	152.80	142.78	126.67
Dividend yield	%	8.81	–	7.69	8.75	7.58	6.54
Dividend payout	%	69.77	–	62.38	65.44	70.04	78.95

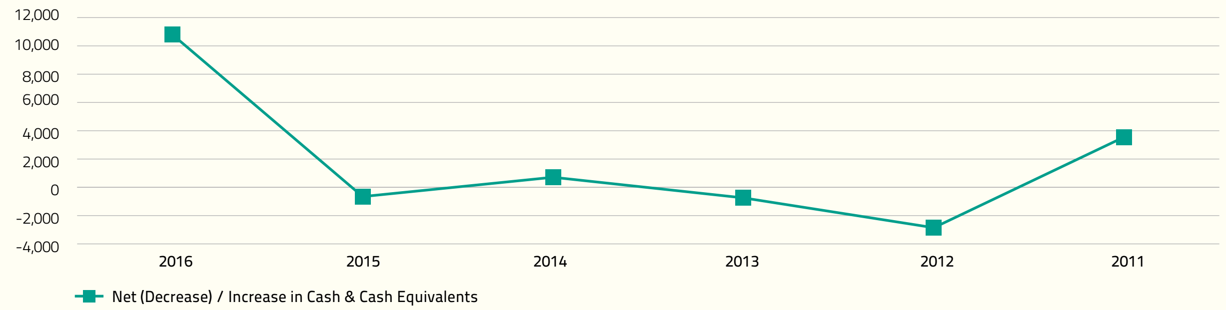
Cash Flows Summary

PKR in Million	2016	2015	2014	2013	2012	2011
Cash Flows From Operating Activities						
Cash generated from operations	**22,731**	9,748	19,438	18,725	13,770	10,922
Increase in long term deposits	**18**	–	–	–	–	–
Finance costs paid	**(2,754)**	(2,498)	(3,891)	(5,865)	(6,532)	(3,166)
Taxes paid	**(1,183)**	(1,177)	(528)	(614)	(285)	(282)
Employee retirement benefits paid	**(37)**	(19)	(18)	(14)	(12)	(8)
Net Cash Inflow From Operating Activities	**18,775**	6,054	15,000	12,231	6,941	7,466
Cash Flows From Investing Activities						
Fixed capital expenditure	**(2,237)**	(5,520)	(2,814)	(1,584)	(949)	(386)
Long term investments	**(132)**	(2,021)	(1)	–	(85)	–
Short term investment	**(200)**	–	–	–	–	–
Long term loan to associated company	**(799)**	–	–	(3,000)	–	–
Short term loan	**(1,949)**	300	–	–	–	–
Finance costs paid	**–**	–	–	–	–	(3,311)
Proceeds from disposal of property, plant and equipment	**1**	–	–	–	–	–
Net proceeds from disposal of short term investments	**–**	–	–	39	–	2
Net (Increase) / Decrease in long term loans and deposits	**(111)**	(5)	(3)	1	(6)	28
Profit received on short term loan and saving accounts	**415**	409	352	11	76	30
Net Cash Used in Investing Activities	**(5,012)**	(6,837)	(2,466)	(4,532)	(965)	(3,637)
Cash Flows From Financing Activities						
Redemption of preference shares	**–**	–	–	–	(2,000)	–
Repayment of long term finance	**(15,747)**	(6,375)	(5,875)	(4,085)	(16,879)	–
Proceeds from long term finance	**17,627**	2,645	1,000	1,562	10,498	44
Dividend paid - ordinary shares	**(2,620)**	(5,770)	(5,246)	(4,197)	(2,993)	–
- Preference shares	**–**	–	–	(1,337)	(149)	–
(Decrease) / Increase in short term finance - net	**(2,218)**	(9,630)	(1,703)	(388)	2,690	(316)
Net Cash (Outflow) / Inflow - Financing Activities	**(2,958)**	130	(11,824)	(8,445)	(8,832)	(273)
Net Increase / (Decrease) in cash and cash equivalents	**10,805**	(654)	711	(746)	(2,855)	3,556
Cash and cash equivalents at beginning of the year	**295**	949	238	984	3,839	283
Cash and Cash Equivalents At End of The Year	**11,100**	295	949	238	984	3,839

Cash Flows from Operating, Investing and Financing Activities

Rupees in Million





Vertical Analysis

Balance Sheet

	2016		2015		2014		2013		2012		2011	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Non current assets												
Property, plant and equipment	**72,941**	**66.0%**	73,409	77.4%	68,823	82.8%	67,588	84.4%	67,545	88.9%	68,116	89.2%
Intangible assets	**18**	**-**	26	-	30	-	43	0.1%	34	-	-	-
Long term investments	**2,238**	**2.0%**	2,106	2.2%	86	0.1%	85	0.1%	85	0.1%	-	-
Long term loan to associated Company	**2,999**	**2.7%**	2,200	2.3%	-	-	-	-	-	-	-	-
Long term deposits	**130**	**0.1%**	19	-	13	-	10	-	11	-	5	-
Total non current assets	**78,327**	**70.8%**	77,760	82.0%	68,952	83.0%	67,726	84.6%	67,676	89.0%	68,121	89.2%
Current assets												
Stores and Spares	**4,972**	**4.5%**	4,460	4.7%	4,090	4.9%	3,850	4.8%	3,231	4.3%	1,931	2.5%
Stock in trade	**6,243**	**5.6%**	7,003	7.4%	2,681	3.2%	2,702	3.4%	2,508	3.3%	1,215	1.6%
Trade debts	**2,116**	**1.9%**	335	0.4%	448	0.5%	99	0.1%	138	0.2%	196	0.3%
Short term investment - available for sale	**200**	**-**	-	-	-	-	-	-	-	-	-	-
Short term loans	**2,449**	**2.2%**	500	0.5%	3,000	3.6%	3,000	3.7%	-	-	-	-
Loans, advances, deposits and prepayments	**5,191**	**4.7%**	4,436	4.7%	3,000	3.6%	2,456	3.1%	1,468	1.9%	1,045	1.4%
Cash and bank balances	**11,100**	**10.0%**	295	0.3%	949	1.1%	238	0.3%	984	1.3%	3,839	5.0%
Total current assets	**32,271**	**29.2%**	17,029	18.0%	14,169	17.0%	12,346	15.4%	8,329	11.0%	8,226	10.8%
Total assets	**110,597**	**100.0%**	94,789	100%	83,121	100%	80,072	100%	76,005	100%	76,347	100%
Capital and reserves												
Issued, subscribed and paid up capital	**21,000**	**19.0%**	21,000	22.2%	21,000	25.3%	21,000	26.2%	21,000	27.6%	20,000	26.2%
Preference shares	**-**	**-**	-	-	-	-	-	-	-	-	4,000	5.2%
Reserves	**26,374**	**23.8%**	19,229	20.3%	15,757	19.0%	11,759	14.7%	7,948	10.5%	4,053	5.3%
Total capital and reserves	**47,374**	**42.8%**	40,229	42.4%	36,757	44.2%	32,759	40.9%	28,948	38.1%	28,053	36.7%
Non current Liabilities												
Long term finance	**16,342**	**14.7%**	13,168	13.9%	17,335	20.9%	22,647	28.3%	27,024	35.6%	34,457	45.1%
Deferred liabilities	**15,642**	**14.1%**	15,412	16.3%	14,421	17.3%	9,391	11.7%	4,844	6.4%	1,809	2.4%
Dividend and markup payable to related parties	**-**	**-**	-	-	-	-	-	-	2,918	3.8%	2,217	2.9%
Long term deposits	**51**	**-**	33	-	33	-	-	-	-	-	-	-
Total non current liabilities	**32,035**	**29.0%**	28,613	30.2%	31,789	38.2%	32,038	40.0%	34,785	45.8%	38,483	50.4%
Current liabilities												
Trade and other payables	**17,399**	**15.7%**	8,646	9.1%	7,341	8.8%	6,651	8.3%	4,997	6.6%	4,651	6.1%
Accrued finance cost	**259**	**0.2%**	260	0.3%	259	0.3%	383	0.5%	499	0.7%	1,891	2.5%
Short term finance - secured	**8,011**	**7.2%**	10,229	10.8%	600	0.7%	2,303	2.9%	2,690	3.5%	-	-
Current portion of long term loans	**5,518**	**5.0%**	6,812	7.2%	6,375	7.7%	5,938	7.4%	4,085	5.4%	3,033	4.0%
Provision for taxation	**-**	**-**	-	-	-	-	-	-	-	-	236	0.3%
Total current liabilities	**31,188**	**28.2%**	25,948	27.4%	14,575	17.5%	15,275	19.1%	12,272	16.1%	9,811	12.9%
Total liabilities and equity	**110,597**	**100.00%**	94,789	100.0%	83,121	100.0%	80,072	100.0%	76,005	100%	76,347	100%

Horizontal Analysis
Balance Sheet

	2016	16' vs 15'	2015	15' vs 14'	2014	14' vs 13'	2013	13' vs 12'	2012	12' vs 11'	2011	11' vs 10'
PKR in Million	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change
Non current assets												
Property, plant and equipment	72,941	-0.6%	73,409	6.7%	68,823	1.8%	67,588	0.1%	67,545	-0.8%	68,116	4.9%
Intangible assets	18	-32.1%	26	-12.3%	30	-29.6%	43	26.1%	34	-	-	-
Long term investments	2,238	6.3%	2,106	2354.9%	86	0.7%	85	-	85	-	-	-
Long term loan to associated Company	2,999	36.3%	2,200	-	-	-	-	-	-	-	-	-
Long term deposits	130	600.8%	19	39.5%	13	29.6%	10	-9.8%	11	107.3%	5	-65.7%
Total non current assets	78,327	0.7%	77,760	12.8%	68,952	1.8%	67,726	0.1%	67,676	-0.7%	68,121	4.9%
Current assets												
Stores and spares	4,972	11.5%	4,460	9.0%	4,090	6.2%	3,850	19.2%	3,231	67.3%	1,931	-22.1%
Stock in trade	6,243	-10.9%	7,003	161.2%	2,681	-0.8%	2,702	7.7%	2,508	106.4%	1,215	125.0%
Trade debts	2,116	531.5%	335	-25.3%	448	352.0%	99	-28.4%	138	-29.3%	196	-23.8%
Short term loans	2,449	389.8%	500	-83.3%	3,000	-	3,000	-	-	-	-	-
Short term investment - available for sale	200	-	-	-	-	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	5,191	17.0%	4,436	47.9%	3,000	22.2%	2,456	67.3%	1,468	40.4%	1,045	11.2%
Cash and bank balances	11,100	3660.1%	295	-68.9%	949	298.2%	238	-75.8%	984	-74.4%	3,839	1256.5%
Total current assets	32,271	89.5%	17,029	20.2%	14,169	14.8%	12,346	48.2%	8,329	1.3%	8,226	82.8%
Total assets	110,597	16.7%	94,789	14.0%	83,121	3.8%	80,072	5.4%	76,005	-0.4%	76,347	9.9%
Capital and reserves												
Issued, subscribed and paid up capital	21,000	-	21,000	-	21,000	-	21,000	-	21,000	5.0%	20,000	-
Preference shares	-	-	-	-	-	-	-	-	-	-	4,000	-
Reserves	26,374	37.2%	19,229	22.0%	15,757	34.0%	11,759	48.0%	7,948	96.1%	4,053	1464.9%
Total capital and reserves	47,374	17.8%	40,229	9.4%	36,757	12.2%	32,759	13.2%	28,948	3.2%	28,053	15.6%
Non current liabilities												
Long term finance	16,342	24.1%	13,168	-24.0%	17,335	-23.5%	22,647	-16.2%	27,024	-21.6%	34,457	-8.0%
Deferred liabilities	15,642	1.5%	15,412	6.9%	14,421	53.6%	9,391	93.9%	4,844	167.8%	1,809	2344.4%
Dividend and markup payable to related parties	-	-	-	-	-	-	-	-	2,918	31.6%	2,217	162.7%
Long term deposits	51	53.8%	33	-	33	-	-	-	-	-	-	-
Total non current liabilities	32,035	12.0%	28,613	-10.0%	31,789	-0.8%	32,038	-7.9%	34,785	-9.6%	38,483	0.3%
Current liabilities												
Trade and other payables	17,399	101.2%	8,646	17.8%	7,341	10.4%	6,651	33.1%	4,997	7.4%	4,651	25.6%
Accrued finance cost	259	-0.2%	260	0.4%	259	-32.5%	383	-23.2%	499	-73.6%	1,891	-31.2%
Short term finance - secured	8,011	-21.7%	10,229	1606.1%	600	-74.0%	2,303	-14.4%	2,690	-	-	-
Current portion of long term loans	5,518	-19.0%	6,812	6.9%	6,375	7.4%	5,938	45.3%	4,085	34.7%	3,033	-
Provision for taxation	-	-	-	-	-	-	-	-	-	-	236	263.4%
Total current liabilities	31,188	20.2%	25,948	78.0%	14,575	-4.6%	15,275	24.5%	12,272	25.1%	9,811	43.6%
Total liabilities and equity	110,597	16.7%	94,789	14.0%	83,121	3.8%	80,072	5.4%	76,005	-0.4%	76,347	9.9%

Vertical Analysis

Profit and Loss Account

	2016		2015		2014		2013		2012		2011	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Sales	**33,765**	**100.00%**	30,226	100.00%	36,169	100.00%	33,496	100.00%	29,519	100.00%	14,833	100.00%
Cost of Sales	**(15,780)**	**-46.73%**	(13,209)	-43.70%	(14,708)	-40.67%	(13,785)	-41.15%	(12,252)	-41.51%	(4,741)	-31.96%
Gross Profit	**17,985**	**53.27%**	17,017	56.30%	21,461	59.33%	19,711	58.85%	17,266	58.49%	10,092	68.04%
Distribution Cost	**(2,383)**	**-7.06%**	(1,782)	-5.90%	(1,449)	-4.01%	(1,430)	-4.27%	(1,234)	-4.18%	(338)	-2.28%
Administrative Expenses	**(1,308)**	**-3.87%**	(1,021)	-3.38%	(1,346)	-3.72%	(1,076)	-3.21%	(739)	-2.50%	(417)	-2.81%
	14,294	**42.33%**	14,214	47.03%	18,666	51.61%	17,205	51.36%	15,293	51.81%	9,337	62.95%
Finance Cost	**(2,739)**	**-8.11%**	(2,379)	-7.87%	(3,767)	-10.41%	(4,169)	-12.45%	(5,774)	-19.56%	(3,063)	-20.65%
Other Operating Expenses	**(631)**	**-1.87%**	(861)	-2.85%	(1,374)	-3.80%	(1,010)	-3.02%	(506)	-1.71%	(320)	-2.16%
	10,924	**32.35%**	10,974	36.31%	13,525	37.39%	12,026	35.90%	9,013	30.53%	5,954	40.14%
Other Operating Income	**702**	**2.08%**	574	1.90%	624	1.73%	295	0.88%	67	0.23%	134	0.90%
Profit Before Tax	**11,626**	**34.43%**	11,548	38.21%	14,149	39.12%	12,321	36.78%	9,081	30.76%	6,088	41.04%
Taxation	**(1,844)**	**-5.46%**	(2,294)	-7.59%	(4,891)	-13.52%	(4,298)	-12.83%	(2,969)	-10.06%	(1,971)	-13.28%
Profit for the year	**9,782**	**28.97%**	9,254	30.61%	9,258	25.60%	8,022	23.95%	6,111	20.70%	4,117	27.75%

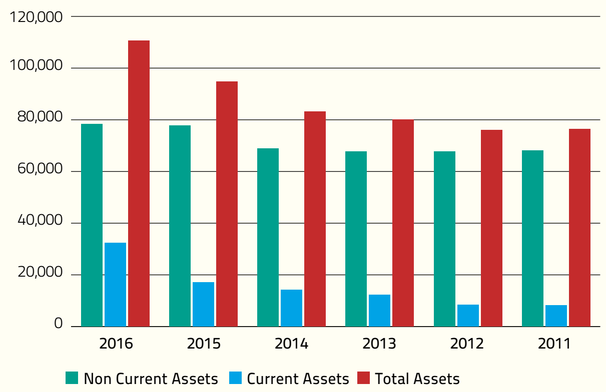
Horizontal Analysis

Profit and Loss Account

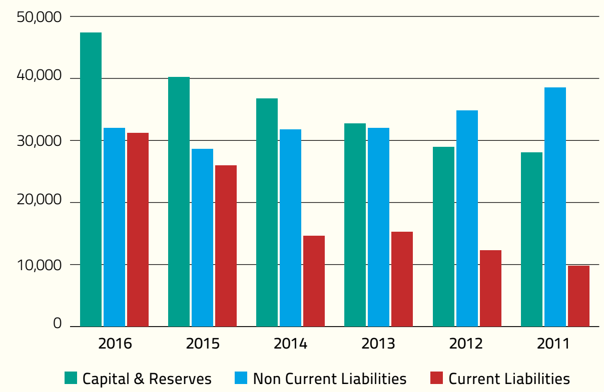
	2016	16'vs15	2015	15'vs14	2014	14'vs13	2013	13'vs12	2012	12'vs11	2011
PKR in Million	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Sales	**33,765**	**11.7%**	30,226	-16.43%	36,169	7.98%	33,496	13.47%	29,519	99.00%	14,833
Cost of Sales	**(15,780)**	**19.5%**	(13,209)	-10.19%	(14,708)	6.70%	(13,785)	12.51%	(12,252)	158.44%	(4,741)
Gross Profit	**17,985**	**5.7%**	17,017	-20.71%	21,461	8.88%	19,711	14.16%	17,266	71.08%	10,092
Distribution Cost	**(2,383)**	**33.7%**	(1,782)	23.01%	(1,449)	1.31%	(1,430)	15.90%	(1,234)	265.13%	(338)
Administrative Expenses	**(1,308)**	**28.1%**	(1,021)	-24.14%	(1,346)	25.06%	(1,076)	45.66%	(739)	77.08%	(417)
	14,294	**0.6%**	14,214	-23.85%	18,666	8.49%	17,205	12.50%	15,293	63.79%	9,337
Finance Cost	**(2,739)**	**15.1%**	(2,379)	-36.84%	(3,767)	-9.65%	(4,169)	-27.79%	(5,774)	88.50%	(3,063)
Other Operating Expenses	**(631)**	**-26.7%**	(861)	-37.38%	(1,374)	36.04%	(1,010)	99.62%	(506)	57.97%	(320)
	10,924	**-0.5%**	10,974	-18.86%	13,525	12.47%	12,026	33.42%	9,013	51.39%	5,954
Other Operating Income	**702**	**22.3%**	574	-8.01%	624	111.66%	295	340.02%	67	-49.90%	134
Profit Before Tax	**11,626**	**0.7%**	11,548	-18.38%	14,149	14.84%	12,321	35.68%	9,081	49.17%	6,088
Taxation	**(1,844)**	**-19.6%**	(2,294)	-53.09%	(4,891)	13.79%	(4,298)	44.75%	(2,969)	50.69%	(1,971)
Profit for the year	**9,782**	**5.7%**	9,254	-0.05%	9,258	15.40%	8,022	31.27%	6,111	48.44%	4,117

Graphical Presentation

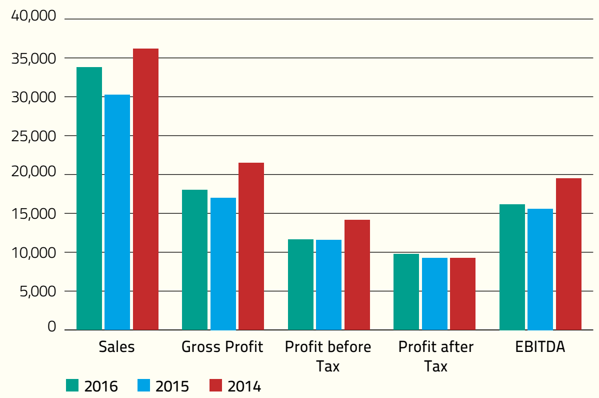
Balance Sheet Analysis (Assets)
Rupees in Million



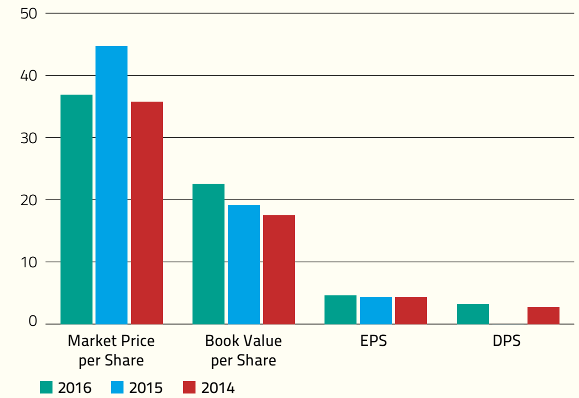
Balance Sheet Analysis (Equity & Liabilities)
Rupees in Million



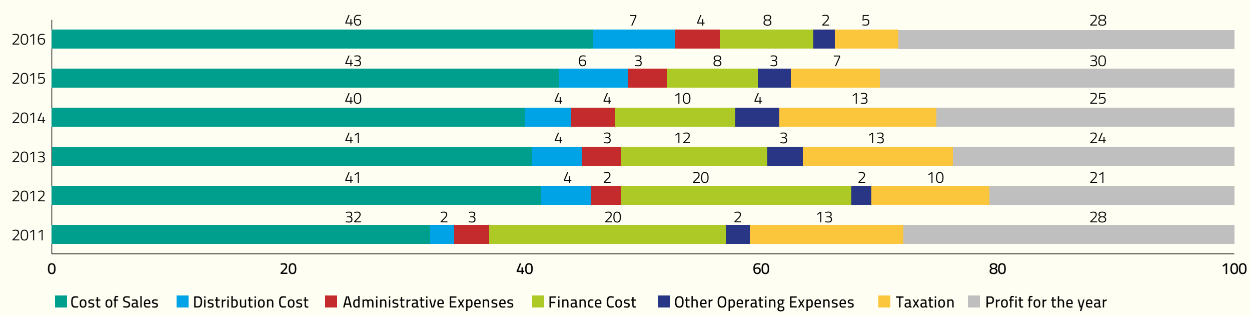
Sales & Margin
Rupees in Million



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



Profit and Loss Analysis
Percentage

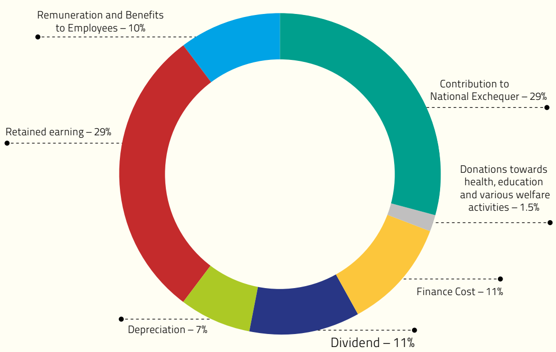


Wealth Creation and Distribution

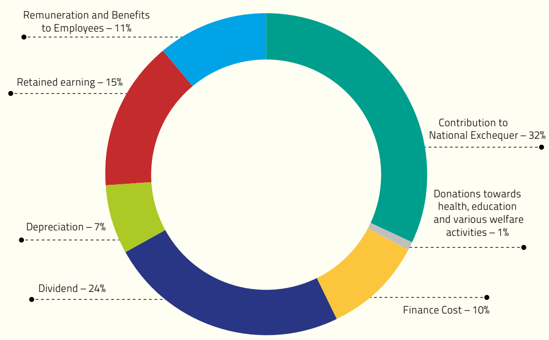
	2016		2015	
Wealth Generated	**PKR Million**	**%**	**PKR Million**	**%**
Sales Including GST	**38,960**	**160.5%**	35,640	150.2%
Other Income	**703**	**2.9%**	574	2.4%
	39,663	**163%**	36,214	153%
Materials and services purchased	**15,389**	**63%**	12,487	53%
Value Addition	**24,274**	**100%**	23,727	100%

Wealth Distributed	**PKR Million**	**%**	**PKR Million**	**%**
Remuneration and benefits to employees	**2,529**	**10%**	2,497	11%
Contribution to National Exchequer (Income Tax and Sales Tax)	**7,040**	**29%**	7,709	32%
Donations towards health, education and various welfare activities	**373**	**1.5%**	226	1.0%
Finance cost	**2,739**	**11%**	2,379	10%
Dividend	**2,625**	**11%**	5,775	24%
Retained for future growth:				
Depreciation	**1,811**	**7%**	1,663	7%
Retained earning	**7,157**	**29%**	3,479	15%
	24,274	**100%**	23,727	100%

2016 Percentage



2015 Percentage



SWOT Analysis

STRENGTHS

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

WEAKNESSES

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

OPPORTUNITIES

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

THREATS

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

Market Share Information

Fatima Fertilizer Company Limited produces three final products which are Calcium Ammonium Nitrate (CAN), Nitro Phosphate (NP) and Urea. Fatima along with its sister concern are the only producers of CAN and NP and thus capture complete market share of these products.

Products	2016 (%)	2015 (%)	2014 (%)	2013 (%)
CAN	69	77	89	89
NP	64	48	73	78
UREA	6.65	6.65	6.60	5.87

(Source: NFDC)

Corporate Governance

Key Sources of Uncertainty

While applying the Company's accounting policies, management has made some estimates and judgments that have significant effect on the amounts recognized in the financial statements. These also include key assumptions concerning the future, and other estimations at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future year. Actual results may differ from these estimates under different assumptions or conditions, impacting Fatima's earnings and financial position.

Management believes that areas such as employee retirement benefits, useful life and residual values of property, plant and equipment and intangible assets, provision for taxation comprise the most difficult and complex judgments it has to make in the preparation of the financial statements. For information on accounting policies applied, see the respective sections of Note 4 "Significant Accounting Policies."

Identification of Risks

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

Strategic Risks: Strategic risks can emanate from internal or external events and scenarios that inhibit or prevent an organization from achieving it strategic objectives. Broadly strategic risks emerge from business strategy decisions.

This form of risk can affect an entity's performance by giving rise to challenges that might cause a particular business strategy to produce unexpected results.

Commercial Risks: Commercial risks arise when there is a possibility of non-payment by a debtor/ buyer of entity due to insolvency or bankruptcy.

Operational Risks: Operational risks can be identified with losses stemming from internal inadequacies, business interruptions, internal inadequacies or from external events.

Financial Risks: Financial risk refers to the probability of loss inherent in financing methods which may impair the ability to generate adequate profitability.

Risk Mitigation Strategies:
The Company's Risk Mitigation strategy includes reduction of the likelihood that a risk event will occur and/or reduction of the effect of a risk event if it does occur. For this purpose, a new Risk Management Division has been setup to oversee all new ventures and investments and mitigate any risks befalling any business decisions taken.

Issues raised in the last AGM, decisions taken and their implementation

Although general clarifications were sought by the shareholders on Company's published financial statements during the 13th Annual General Meeting of the Company held on April 27, 2016, no significant issues were raised.

Review of Related Party Transactions

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. The Company has duly ensured compliance of this requirement and has obtained approval of related party transactions by the Board of Directors upon recommendation of Audit Committee.

Policy and Procedure for Stakeholders' Engagement

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

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

Stakeholders	Why do we Engage	Nature of Engagement	Frequency	Value Added
Institutional Investors/ Lenders	1. To further strengthen Fatima's image by maintaining a professional and transparent relationship	1. Investor meetings 2. Financial reporting 3. Head office/plant visits 4. Circulation of minutes 5. Circulation of Company reports	1. Occasionally 2. Periodic basis 3. As and when required 4. Periodic basis 5. Periodic basis	1. Financing requirements are met for expansion projects

Corporate Governance
(Contd.)

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

Investor Relations Section on the Corporate Website

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

Annual Report Accessibility

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

Investor Grievance Policy

Investor Grievance means any investor, who has grievance against Fatima for any reason.

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

Process:

1. All investor grievances received are handled by investor relations department at the corporate Head Office of the Company.
2. The Company has designated an officer in the Investor Relations Department (IRD) who receives all the queries, grievances and complaints. A designated e-mail ID has been created investor.relations@ fatima-group.com. This email address is also mentioned on the Company's website. Investors can lodge their complaints by sending in soft copies on the email address mentioned above. Investors can also send in their complaints/ grievances via a hard copy addressed to Corporate Head Office in Lahore.
3. All Investor Grievances (hard copy or soft copy) that are received are incorporated in the Register of Grievance under the supervision of the designated Investor Relations Officer and action is initiated immediately.
4. All Investor Grievances that are recorded in the Investor Grievance Register are considered and the complainant is informed about the time that compliance department will take to resolve within a span of 5-7 working days from the date of receipt of grievance / complaints as the case may be.
5. Investor Relation's officer ensures that all complaints / grievances are resolved and recorded in the Register of Grievance and Complaints within the stipulated time period.
6. Investor Relations Department is required to keep a record of all complaints/ grievances received by investors for future reference.

Annual Evaluation of Board's Performance

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

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

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

Role and Responsibilities of the Chairman and Chief Executive

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

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

I. Leadership and control of Board of Directors;

II. Ensuring that the Board as a whole plays an effective role in the determination of the Company strategy and overall business objectives;

III. Guardian of the Board's decision making process;

IV. Promoting highest level of morale, integrity, excellence, Corporate Governance and ethics to assure investors that the money invested by them is put to appropriate and profitable use;

V. Approval of Company policies;

VI. Approves Risk mitigation plan; and

VII. Leads and motivates CEO and Management Team.

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

I. Effective running of the Company affairs;

II. Development of Company's strategy and business objectives;

III. Conducting the affairs of the Company with the highest standards of integrity and Corporate Governance;

IV. Policy formulation;

V. Risk Assessment and risk Management; and

VI. Sound Financial Management.

Conflicts of interests relating to members of the Board and how such conflicts are managed

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

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

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

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

Whistle Blowing Policy

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

Formal Orientation at the induction of new Directors and Director's training program from institutes approved from SECP

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

Share Price Sensitivity Analysis

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

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

Corporate Governance
(Contd.)

Succession Planning

Succession planning is a tool for ensuring service continuity for critical position when an executive leaves the organization or the position becomes vacant due to health or death reasons. Fatima believes that business growth highly depends on employee potential and continued performance. In order to envision organizational growth, employees are provided with opportunities to continuously build their capabilities and enhancing their potential. Succession planning is a system to foster talent from within and create a pipeline which takes the organization to the next level, ensuring stability at key positions. This framework enables us to enhance a culture of progression through development within our Company. The Company chalks-out a process to identify competencies of executives from the internal/ external pool to develop a career path to fill the vacant position.

Information Technology

IT Governance and Security

The Information Technology (IT) division of the Fatima provides an extensive range of computing and communication services, facilities and infrastructure for use by the employees of the Company. The IT division is aligned to the business needs of the organization, ensuring that the solutions delivered by the IT division are relevant to the needs of the business. The IT division is highly committed to protect the confidentiality, integrity and availability of information assets from possible threats whether deliberate or accidental that could potentially disrupt business continuity by taking into account all possible measures to ensure that business, regulatory, operational and contractual requirements are fulfilled.

An ISO 27001:2013 compliant ISMS (Information Security Management System) is established and maintained by the IT division of Fatima. The Management actively supports Information Security within the company, particularly in the IT division.

The guiding principles for the Governance and Security in IT division are defined below:

I. ISMS is established, implemented and managed by the IT division through policies, procedures, and guidelines,

II. The organization of the IT division is well defined; responsibilities for each position are clearly articulated in the respective job descriptions and training and awareness program is established,

III. Information Assets are identified and their associated risks are assessed and evaluated and appropriate mitigation measures are identified in risk treatment planning,

IV. The IT division is customer focused, ensuring that the solutions delivered are simple to use, user-friendly and secure

V. Backup and disaster recovery plan is maintained for critical data to allow continuity of business without disruption. The IT division ensures that a disaster recovery site is functional, furthermore disaster recovery drills are held at regular intervals throughout the year

VI. Mechanism for reporting information security incidents is established for timely corrective actions,

VII. Internal Audits are conducted for establishing the effectiveness of the IT controls,

VIII. The IT division carries out capacity planning exercises at least once every year to ensure that sufficient resources (infrastructure and human) are available to deliver services,

IX. The IT division procures in an ethical manner, ensuring that what is procured is actually required and is of the best quality at competitive prices,

X. The IT division conducts risk analysis of all the information assets at least once every year,

XI. A Quality Assurance arm has been established to ensure that the IT solutions and services attain the highest standards of quality,

XII. The IT division has created a service desk for centralized management of requests, complaints and incidents,

XIII. The IT division has established a Project Management Office to centrally manage, monitor and track all projects, depending on the size of a project a project charter and a project plan are published prior to the start of the project.

IT Infrastructure and Operations

I. Enterprise Wireless and Identity Control Solution

Fatima implemented Enterprise Wireless and Identity Control Solution that allows IT to configure and monitor wireless policies and security settings.

II. LAN Revamp ERO

Fatima acquired FF in 2015. IT division upgraded the network infrastructure of the acquired IT setup that ensured smooth integration with existing infrastructure.

III. Enterprise Backup Solution

IT division deployed Enterprise Backup Solution that enabled a scalable backup and recovery and ensures availability of business-critical application of Fatima.

IV. Vehicle E-Tagging (Fatima)

Fatima site upgraded its physical security by deploying an E-tagging system so that entrance to Fatima site is automated and restricted to authorize vehicles only.

V. Work Force Management System

IT division automated the employee attendance system at Fatima by deploying Work Force Management System. Attendance has now been automated and integrated with Oracle payroll.

VI. Disaster Recovery Site

Successful Disaster Recovery Drills were performed twice in year 2016. Successful drills have ensured that Information Technology team can get critical services operational from disaster recovery site within 90mins.

VII. Private Cloud Infrastructure Upgrade

A comprehensive cloud infrastructure upgrade activity was successfully performed without any downtime for the critical services as DR was invoked during the upgrade. Services were successfully shifted back to primary site after the upgrade activity.

IT Business Applications

The IT Division delivered several applications during 2016. The focus of the applications was to streamline and automate business processes with the objective of enhancing productivity and provision of information. Online medical claims for employees at plant Site have been automated through oracle application. . Oracle Purchasing, Inventory, Budget and Core HRMS modules were implemented for FF. A new application to automate medical center operations (CloudClinik) has been implemented at Fatima Medical Center. Implementation of CloudClinik is a major milestone achieved toward employee's health care and fitness. It will take the wellbeing of our employees and their families to the next level through standardized medical records. IT division upgraded the Oracle application version and has delivered several other applications throughout the year. To ensure service continuity in-case of disaster, several disaster recovery drills simulating a variety of disaster scenarios were carried out for Oracle services throughout the year.

Notice of the 14th Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Tuesday, April 25, 2017 at 11:00 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 Extraordinary General Meeting held on December 23, 2016.

2. To receive, consider and adopt the standalone and consolidated audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2016.

3. To consider and approve final cash dividend for the year ended December 31, 2016 at Rs. 2 per share i.e., 20% as recommended by the Board of Directors. This is in addition to interim Dividend already paid during the year at Rs 1.25 per share i.e. 12.5%, thus making a total cash dividend of Rs 32.5% i.e., Rs 3.25 per share for the year ended December 31, 2016.

4. To elect Directors of the Company for a period of three years commencing from May 01, 2017 to April 30, 2020 in terms of section 178 of Companies Ordinance 1984.

a. Pursuant to section 178(1) and (2)(a) of the Companies Ordinance 1984, the Directors have fixed the number of directors at 7 (Seven).

b. Pursuant to Section 178(2)(b) of the Companies Ordinance 1984, the names of the retiring Directors are:
   1. Mr. Arif Habib
   2. Mr. Fawad Ahmed Mukhtar
   3. Mr. Fazal Ahmed Sheikh
   4. Mr. Faisal Ahmed Mukhtar
   5. Mr. Muhammad Kashif Habib
   6. Mr. Peter Vang Christensen
   7. Mr. M. Abad Khan

5. To appoint Auditors for the year ending December 31, 2017 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s Deloitte Yousuf Adil Chartered Accountants as external auditors.

Special Business

6. To consider and approve renewal of running finance facility limit extended to associated company namely Reliance Commodities (Pvt) Limited for further period of one year and to pass the following Special Resolution(s) with or without modification(s):

"**Resolved** that the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 and "Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012" for renewal of Running Finance Facility limit of up-to an aggregate amount of Rs. 1,250 million extended to Reliance Commodities (Pvt) Limited for further period of one year to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.

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

7. To consider and approve equity investment in associated company namely Fatima Electric Company Limited and to pass the following Special Resolution(s) with or without modification(s):

"**Resolved** that the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 for investment up-to PKR 140,000 in Fatima Electric Company Limited, an associated company, for subscribing at par, fully paid up 14,000 ordinary shares of PKR 10/- each of Fatima Electric Company Limited.

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

Other Business

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

   The statements under Section 160(1)(b) of the Companies Ordinance, 1984 setting out the material facts concerning the special business are annexed herewith.

By order of the Board

Lahore
April 04, 2017

Ausaf Ali Qureshi
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from April 18, 2017 to April 25, 2017 (both days inclusive). Transfers received in order at the office of our Share Registrar/ Transfer Agent, Central Depository Company of Pakistan Limited by the close of business on April 17, 2017 will be treated in time for the aforesaid purpose.

2. A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

3. An individual beneficial owner of shares from CDC must bring his/ her original CNIC or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.

   The members are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate, if any, immediately to our Share Registrar/Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

4. **Withholding Tax on Dividends:**

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

   (a) For filers of income tax returns: 12.50%

   (b) For non-filers of income tax returns: 20%

   To enable the Company to make tax deduction on the amount of cash dividend @ 12.50% instead of 20%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.50%.

   For any further assistance, the members may contact the Share Registrar at the following phone numbers, email addresses: Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400. Telephone: 0800-23275, Email: info@cdcpak.com

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

5. **Notice to Shareholders who have not provided their CNICs:**

   Pursuant to the directives of the Securities and Exchange Commission of Pakistan ("SECP"), dividend warrants cannot be issued without valid CNICs. All shareholders holding physical shares who have not submitted their valid CNICs are once again requested to send attested copies of their valid CNICs along with their folio numbers to the Company's Shares Registrar. In the absence of a shareholder's valid CNIC, the Company will be constrained to withhold dispatch of dividend to such shareholders.

6. **Consent for Video Conference Facility:**

   As allowed by SECP vide Circular No. 10 of 2014 dated May 21, 2014, members can avail video conference facility for this Annual General Meeting, at Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned location, at least 10 days prior to date of the meeting.

Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting along with complete information necessary to access the facility.

In this regard please send a duly signed request as per following format at the registered address of the Company 10 days before holding of general meeting.

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

Signature of member

7. E-VOTING

Pursuant to SECP S.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment of Execution Officer by the Intermediary as a Proxy.

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

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

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

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

Operations

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

Manufacturing Overview

Fertilizer production in 2016 remained stable. All Plants worked efficiently during the period under consideration. Break-up of finished products is tabulated below:

Product (MT in '000')

Products	2016	2015	2014	2013
CAN	472	402	433	419
NP	401	363	375	333
Urea	507	414	373	352
Total	**1,380**	**1,179**	**1,181**	**1,104**

Plant Risk Mitigation

The Company's focus on safety at work is a top priority, and our Corporate Health, Safety and Environment (HSE) function has ensured top of the line processes and systems for HSE compliance.

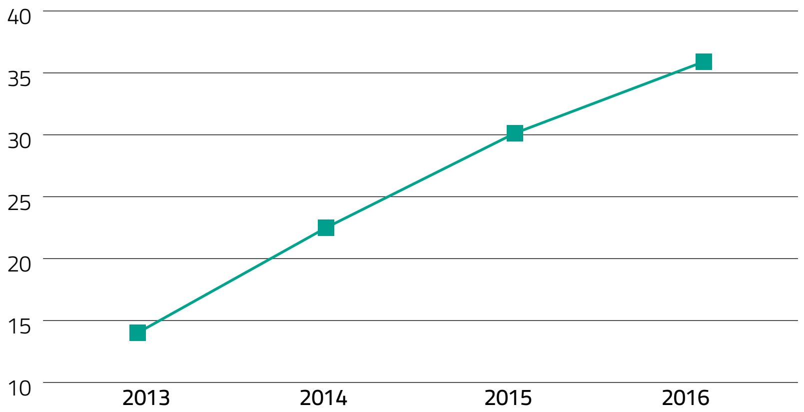
Papers Presented at International Forum

We at Fatima believe in developing internal talent by encouraging them to share their research work/ practical experience in the shape of research papers. They submit these papers at renowned research institutions and upon selection we provide them opportunity to present their publications at national and international forums where people from all around the world are present. It provides them exposure and opportunity to learn about different technical advancements. In 2016, Fatima Participated in four international forums related to plant operation, safety, reliability and technological advancements.

Following employees participated in reputed national and international forums and conferences during 2016:

Combined Safe Man Hours

In Million Man Hours



Operations
(Contd.)

Papers / Publications

Sr. #	Forum	Event Date	Location	Speaker/Writer
1.	N2 + Syngas	Mar – 2016	Berlin, Germany	Mr. Shahbaz Ali and Mr. Farhan Ahmad
2.	Stamicarbon Symposium	May – 2016	Netherlands	Mr. Munawar Zaman and Mr. Khurram Fayyaz
3.	AICHE Ammonia Symposium	Sep – 2016	Denver, USA	Mr. Shahbaz Ali
4.	ANNA Conference	Sep – 2016	Netherlands	Mr. Muhammad Asif and Mr. Mudussar Sharif
5.	FFC Technical Symposium (operational excellence)	Oct - 2016	Rawalpindi, Pakistan	Mr. Saqib Raza and Mr. Saad Ahmad

Production Facilities

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

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

Ammonia Plant

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

In October 2015 Ammonia plant was successfully re-vamped to enhance its capacity by 10%.

Nitric Acid Plant

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

Urea Plant

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

Nitro Phosphate Plant

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

Calcium Ammonium Nitrate (CAN) Plant

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

CDM (Clean Development Mechanism)

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

Our People

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

At Fatima, we believe that human capital is our greatest asset. We emphasize on the best practices from Talent Acquisition to Talent Management and Development in order to build a high performance culture, diverse working environment and an engaged and satisfied workforce. Based on the premise that our workforce is the backbone of Fatima's success and growth, we invest our time and efforts heavily in acquiring and retaining the most competent and outstanding talent pool, aligned with our values of Integrity and Excellence. In order to sustain the exponential growth of the Company, meet the stretch targets and embed the corporate values, Fatima strives to develop and train its employees using optimal methods. Similarly, there is a strong focus on capability development, leadership enhancement and succession planning for upcoming leadership through provision of experiential opportunities and investment in professional exposure. Moreover, in accordance with the principle of accountability, focus on alignment with set objectives and the need for professional development, performance management system has been institutionalized at Fatima.

This enables employees to define their own development path and encourage them to maintain their performance levels. Our organizational development activities and employee engagement tools aim to pursue and instill our corporate values and create an engaged and professionally satisfied workforce. This is done through understanding their expectations, responding to them with a customer focused mindset and striving to improve their work experience and quality of life in general. The goal is not just to enhance performance and develop potential as an outcome but also to improve the employees' experience along the journey. We take immense pride in our diverse work force, constant focus on wellbeing and safety of our people, strong employee relationships, diverse and inclusive work environment and the continuous effort to build happier, healthier and high-performing teams and individuals.

Training

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

Overall Training Man-Hours	2016	2015
Soft Skills (Manufacturing + Non - Manufacturing)	4,672	5,848
Functional Trainings (Manufacturing)	18,620	4,350
Functional Trainings (Non - Manufacturing)	3,112	984
Total Hours	**26,404**	**11,872**

Financial Management and Controls (FMC)

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

The mission of FMC is "to drive sound business decision making and innovative planning to optimize profitable growth, cash flow and total return to shareholders, with effective controls and transparency in disclosures". 2016 saw significant improvement in processes, which has provided us a management framework to deliver the full capability of our role across the organization, with the necessary speed and discipline in execution At Fatima we believe that there is a strong correlation between high performing FMC Function and high performing businesses. During 2016, while focusing on transparency in disclosures and Compliance with Corporate Governance, FMC continued adding value to the Company by cost saving initiatives and strengthening internal controls. To ensure achievement of business targets, accepting it as focal responsibility, FMC team successfully played its role by guiding cross functional teams, leading towards implementation of Monthly Business Plans and Period End Closing projects. To become a reference for financial performance, we are building a high performing FMC function that is fully aligned to the business strategy. During the reporting period, we continued to train our people on soft skills focusing on developing the right behaviors to act as strong business partners. The strength of FMC contribution is very much dependent on our people. We hire, develop and retain outstanding people with highest integrity. Programs like hiring of Management Trainee Officers (MTO's) from top universities of the country, upgrading ERP skills and specific knowledge sharing trainings sessions along with retention of key employees having most superior professional qualifications like CA, ACCA, CMA, etc. are some of the positive indicators of improving the overall standards of FMC function of the organization.

Marketing and Sales

Each year, farmers of Pakistan behold a new season with its unique challenges and hurdles, some for which they are equipped and others for which they must strive. Likewise, our team too adapts to this ever changing environment and foresees the future with the aid of strong research and planning to serve the divergent needs of our farmers.

At Fatima, our star products remain Sarsabz Calcium Ammonium Nitrate (CAN) and Sarsabz Nitrophosphate (NP). Worldwide, Nitrates are considered a far superior fertilizer and their market is growing tremendously. The challenge in Pakistan remains to create awareness and convince our farmers to use these products in order to get more from less i.e. increase per acre yields.

Our brands and technical functions remains the key engagement front with the farmer community and since inception, have been on a crusade to educate farmers on balanced use of fertilizer, soil analysis and best farmer practices.

At the start of the year, Brands team commissioned Nielson to conduct a study on fertilizer usage and attitude. Various surveys and focus groups were carried out to outline the key purchase triggers and influencers. Furthermore, through research, we were able to identify the emotional hooks for our campaign that revolved around farmers aspirations.

Over the past few years, our Technical team has managed to conduct 500+ demo plots on major cash crops which compare our star products (CAN and NP) with regular fertilizers, and this primary research clearly shows that farmers obtain an average 10% increase in yield by using CAN & NP instead of regular fertilizer. These facts are a game changer for Sarsabz fertilizers.

We combined the insights and strategy of Brands with research from field activities of the Technical team to plan an integrated marketing communication, which the industry had never experienced before. This year in our TV commercial we made a bold claim of helping farmers achieve their aspirations by giving them an average 10% increase in yield, in their Wheat crop! Not only this, we managed to back-up this claim with farmer testimonials through radio and Robo-calls. Further, banners, leaflets and point of sale material were individualized, for each district, with the respective farmers pictures endorsing our 10% increase in yield claim! This activity successfully portrayed to farmers how a progressive farmer from their own district had managed to achieve an average 10%+ yield by using Sarsabz NP and CAN.

At Fatima one of our key value has remained Innovation and this year, we took a leap in technology by entering in to partnership with Telenor's Khushaal Zamindaar program. Through this platform we managed to reach 1 million plus farmers directly on their cell phones. We not only used voice calls playing recordings of actual farmer testimonials but also sent out advice on balanced use of fertilizer, weather updates and useful farmer related tips. The way forward is quite exciting as our Tech team has managed to collect a sizeable database of farmers across Pakistan, opening a new realm of direct marketing opportunities for Sarsabz fertilizers.

Another leap in technology took place under Bio Lab Project through which our technical team prepared and provided 1.1 million cards of Crysopa and Tricograma eggs (farmer friendly insects) to control spread of harmful insects on Sugarcane crop.

On another front, brands team continued to engage with farmers through various activities and initiatives round the year. Sarsabz fertilizers continued its sponsorship of Dawn Agri Expo this year as well. Fun-filled farmer melas, bespoke schemes and market storming activities were also carried out in various districts to support sales.

At Fatima, we believe in continuous improvement and strive to equip our team with the latest tools and knowledge. The Capability team invited Certified Master Trainer for IFC-World Bank 'Business Edge' programs to organize special trainings for our sales team on two major aspects, technical knowledge of products and selling skills. These sessions helped our sales team improve their territory planning and devise an efficient sales call process.

All these combined team efforts resulted in all time high sales for Fatima. The sales team managed to give a YOY increase of 28%, with

2016 sales standing at 1,205,823 MT against 2015 figure of 942,403 MT. NP sales year on year increased by 63%, CAN sales by 18% and Urea sales by 11%.

In order to aid sales in its operations, the Logistic function went through a major shift in strategy whereby it focused on building supply chain responsiveness. It managed to grow our warehousing capabilities by 60% which lead to 90% of our sales being booked from our warehouses! Continuous efforts to build relations with all supply chain partners led to the logistic team ensuring 24/7 supply to warehouses nationwide and set a new record of dispatching 3,600 MT of fertilizer shipment per day.

It gives us great pride in letting our shareholders know that the year 2016 and all its challenges brought out the best in us!

Products and Services

Fertilizers

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

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

Segmental Review of Business Performance:

Product	2016 Tons	2015 Tons
Urea	391,123	353,914
Can	379,050	320,528
NP	435,650	267,961
Total	**1,205,823**	**942,403**

Sarsabz Nitrophos (NP)

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

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

Sarsabz Urea

Urea is the most concentrated source of Nitrogen nutrient and thus widely used in the agriculture sector.
Sarsabz Urea - 46% Nitrogen

Sarsabz Calcium Ammonium Nitrate (CAN)

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

26% N (Dual Nitrogen) - 13% Nitrate and 13% Ammonical

Industrial Solutions

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

Nitric Acid

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

Sustainability Overview

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

Sustainability Strategy

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

a) Ensuring Health, Safety and Environmental protection at its productions facilities, for its employees and for the communities it works and live with
b) Ensuring employee safety and welfare at all levels
c) Conserve energy, water and reduce carbon emissions
d) Supporting communities for socio-economic and environmental development, with particular focus on health and education, and by supporting projects through in-house resources and volunteer staff
e) By supporting other institutions and NGOs working for social sector
f) By raising awareness on social and environmental causes within and outside the Company
g) Top level involvement of the board of directors and key management in philanthropic initiatives

Key Sustainability Indicators (GRI 3.1 Specific)

Key performance indicator	GRI	2016	2015
Economic			
Total fertilizer sales	EC1	1,205 (MT in 000)	942 (MT in 000)
Net profit	EC1	9,782 (PKR in Million)	9,254 (PKR in Million)
Revenue	EC1	33,765 (PKR in Million)	30,226 (PKR in Million)
Contribution to national exchequer		6,775 (PKR in Million)	7,173 (PKR in Million)
Rural development and responsible sourcing			
Farms addressed for capacity building (numbers)		20,877	21,438
Water			
Total water withdrawal (Million m^3)	EN8	9,040,320	8,708,000
Environmental sustainability			
Materials			
Raw Material used (natural gas) (Metric Tons)	EN1	803,186	712,243
Materials for packaging purposes (Metric Tons)	EN1	4,199	3,161
Energy			
Total direct energy consumption (gigajoules)	EN3	26,612,489	24,731,672
Total direct energy consumption from renewable sources (% total direct)	EN3	N/A	N/A
Energy saved due to conservation and efficiency improvement	EN5	Production gains achieved due to reliability improvements / Energy optimization	0.15GCAL/Day over all energy restored

Key performance indicators	GRI	2016	2015
Biodiversity			
Total size of manufacturing sites located in projected areas (hectares) working under clean development mechanism	EN11	947 acres	947 acres
Trees planted		9,000	14,000
Emissions, Effluents and Waste			
Direct GHG emissions (Metric Tons CO2eq), (i.e. Surplus CO2 from Ammonia Plant + CO2 emissions from other sources)	EN16	390,089 + 824,738	Nil
Indirect GHG emissions (Million Tons CO2eq)	EN16	N/A	N/A
Non-hazardous Waste for disposal (Tons)	EN22	Lime: 171,288 Silica: 4,332	Lime: 146,484 Silica: 5,085
Environmental Sustainability Governance			
Human rights and compliance			
Total number of incidents of non- compliance with regulations and voluntary codes concerning marketing communications including advertising.	PR7	Nil	Nil
Total number of significant products recalls or incidents of non-compliance	PR2	Nil	Nil
Our People			
Total Workforce (number of employees)	LA1	849	896
Total rate of employee turnover (%)		5.30	7.7%
Lost-time injuries and illnesses rate (per Million hours worked) (employees, on-site contractors and on-site members of public)	LA7	Nil	Nil
Total number of fatalities (employees, on-site contractors and on-site members of public)	LA7	Nil	Nil
Man Hours of training per year (All functions)	LA10	26,404	11,872
Female staff at the head office	LA13	19%	17%
Local management committee members native to country in developing countries	EC7	100%	100%

Volunteer Reporting on GRI Initiative G3.1 Guidelines:

Unless stated otherwise, the selected performance indicators mentioned above are for the year ended 31 December 2016. The references in the GRI column on applicable indicators are voluntarily presented by Fatima as per the Global Reporting Initiative G3.1 guidelines.

Health, Safety and Environment

Fatima considers "Safety of its employees, stakeholders, contractors and the community" equal to its production targets. Fatima believes that all injuries, occupational illnesses, safety and environmental incidents are preventable. Fatima is endeavoring to maintain high standards of health, safety and environment in all aspects of its business conduct and continuously improve in these fields. Through this, the Company reaffirms its corporate sustainability commitments toward business excellence and being a truly responsible global corporate organization. The HSE Policy of Fatima covers all the aspects of resource health & safety, continual improvement and sustainability of environment.

Fatima is committed to:

- Conduct its business in a manner that protects the health and safety of employees, contractors and others involved in our operations and the community in which we live and operate.
- Conform to the requirements of all legislations, regulations and codes of practice pertaining to health, safety and environment.
- Implement environmental protection measures that address pollution prevention in all aspects of our business.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered and accountable employees and management.
- Encourage and promote a culture where best HSE practices and learning from own and other incidents will be transparently shared with its employees and contractors.
- Maintain a constant vigilance and readiness to prevent, and where required, respond to and effectively manage any incident.
- Encourage off the job HSE awareness among employees and their families.
- Recognize and reward outstanding HSE performance.

Standards and Systems – Global Benchmarking

Fatima is a company with a global ambition for excellence, growth and sustainability. We aim to bench mark the global industry standards as a way forward to achieve new levels of eminence. Keeping this target in view, a five years road map plan was rolled out in 2014 to get the certifications of globally renowned standards and practices.

In 2016, the site achieved a second party audit rating of 3.1 in its compliance towards all the OSHA systems. The site is preparing itself for an external audit in 2017. Site safety statistics dash board is also a reflection of efforts towards HSE culture improvement which includes "Reduction in Serious Process Safety incidents, Reduction in injuries, No Fatality/LTI's, continuity in increasing trend of Safe Million Man Hours, Reliable plant operation with reduced production loss time and improved focus towards our community and environment.

After this series of achievements, Fatima is targeting for ISO 50001 Energy Management, ISO 17025 Laboratory Management System and Occupational Health Industrial Hygiene (OHIH) in next two years. The site is also preparing itself for a world recognized Environment Management System.

Keeping environmental protection at the core of our HSE activity and for preserving clean environment for our future generations, we believe in protecting the environment and conserving our energy resources through efficient utilization and management of resources. As a part of this strategy, Fatima joined hands with WWF Pakistan in 2013 to imply the Green Office Initiative. The three Key Performing Indicators (KPIs) were selected as part of the initiative, paper, electricity and mixed waste. A number of other initiatives were put in place to monitor and control selected KPIs; Through Green Office Initiative, we have been able to develop an environment-conscious culture by which employees know that;

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

Energy Conservation Initiatives

a. Ammonia plant energy is kept under close focus throughout the year 2016 to sustain the energy savings post Ammonia revamp project.

b. VFDs installed and commissioned at new cooling tower. This resulted into energy saving of 1008 MWHr during the winter season.

c. 2,196 MWHr energy conserved by taking Cooling Water Booster pump offline during 2016 summer after effective chemical cleaning of all NP/CAN plate & frame Heat Exchangers in ATA'15.

d. Steam optimization of 19.2 MT/ Day by studying O&U De-aerator pressure & dissolved oxygen.

Annual HSE Awards

Year 2016 remained a highly satisfying year in terms of Health, Safety and Environment. As per past practice the site HSE team organized a successful "Annual HSE Award Ceremony 2016" to acknowledge and appreciate the individuals & Units / Departments who performed remarkably well in "Health Safety and Environment". Moreover, awards were also distributed among best HSE performers of Annual Plant Turn Around 2016.

Health, Safety and Environment
(Contd.)

Engaging our People for promoting HSE

Fatima believes the true essence of a successful HSE culture is by engaging each and every employee of the company, whether they are top management or staff members. For that matter, HSE department continuously engages the employees in various events to refresh its motto of "Safe Work Place". The interest and involvement of top management is the key factor behind the success of these events.

Building Capacities – HSE Trainings

Year 2016 was a good year in terms of HSE trainings. Major training areas covered were: Process Hazard Analysis (PHA), Emergency Response Plan trainings, Management Safety Audits (MSA), Incident Investigation & Reporting, First Aid Training, Fire Fighting Training and Job Safety Analysis etc.

Community Awareness & Emergency Response (CAER) Program

What is CAER?
"Community Awareness & Emergency Response (CAER) is a program which intends to keep the community around a chemical industry informed about potential risks associated with industrial operations and to develop emergency plans containing what steps public should take in the event of a natural or industrial emergency."
Purpose of and Progress of CAER

The mission of CAER is to foster a collaborative culture through networking, communication, and education that results in a higher level of public safety and environmental quality. Fatima is also conducting awareness sessions with the communities around its plant and the initiative was highly appreciated by the community around the plant.

Technical Services

Business Sustainability through Farmer Education and Training

Fatima's technical team established synergetic role of Sarsabz Nitrophos and Calcium Ammonium Nitrate fertilizers by achieving 10% or even higher crops yield.

Technical Services offers Farm Advisory Services to the farmers and deliver product knowledge to business associates, share products performance linked findings with Brand, Sales and Manufacturing teams. Fatima Tech team is well connected with agro allied industry, academia, international organizations, government extension and research bodies to ensure efficient transfer of updated agricultural knowledge to country farmers.

Soil and irrigation water analysis based fertilizer recommendations help farmers to apply precise amount of nutrients and soil amendments to achieve higher farm productivity for economic returns. Numerous field demonstration show that SARSABZ NP and CAN fertilizers have better use efficiency over conventional fertilizer sources, Fatima's technical team has established synergetic role of Sarsabz Nitrophos and Calcium Ammonium Nitrate fertilizers by achieving 10% or even higher crops yield.

The Farmer Outreach Program

Enriching Knowledge and skill set of farming communities for improved crop productivity

In 2016, Fatima's technical team trained around 21,000 farmers at farm level on best crop management practices which include recommendation of right source and dosage of fertilizers, right time and method of fertilizers application. Technical knowledge is transferred through field demonstrations, crops production technology video documentaries, multimedia presentations, text messaging and mobile phone ROBO calls.

- Technical Team has developed 1.2 Million farmer data bank for ICT's based Agri Services in Rabi 2016, three million Robo call messages were broadcasted to farmers.
- Tech Team has developed farmer field demonstration based empirical data on major crops across Pakistan
- Under Bio Lab Project, Prepared and provided 1.1 million cards of Crysopa and Tricograma eggs (farmer friendly insects) to control harmful insects of sugarcane crop

Farmer Support through SARSABZ Call Centre

SARSABZ fertilizer is committed to work closely with farming communities across Pakistan. Business took initiative to provide real time solutions to farmer queries by mobilizing a team of technical experts who receive farmer calls on various Agronomical issues and provide real time solutions and guidelines to farmers on improved farm operations.

Tech-Brand Joint Strategy to share experience of SARSABZ Brand testimonials with farming communities of Pakistan.

Technical Services
(Contd.)

A joint strategy was formulated to highlight technical benefits of SARSABZ Nitrophos and Calcium Ammonium Nitrate fertilizers in achieving per acre higher crop yields. During Rabi 2016, an aggressive nationwide media campaign was launched through Television, Print Media, Radio and Point of Sale (POS).

Coordination with local and international Research & Development bodies

For dissemination of latest knowledge to farmers, collaborate with various local and International bodies including Rice Research Institute KSK and DOKRI SINDH- Potato Research Institute Sahiwal, Central Cotton research Institute Multan, Ayub Agriculture Research Institute Faisalabad, University of Agriculture Faisalabad, Soil Science society of Pakistan, FAO Pakistan, International Potash Institute and Pakistan Standard Quality Control Authority- PSQCA.

Human Resources and Employee Relations

Our strength is our people. Fatima's success today is owed to the dedication, commitment and hard work of our people. As we continue to grow in our business, we are committed towards acquiring the right talent, enhancing people capabilities and knowledge sharing in building a high performance culture; keeping diversity and inclusion at the heart.

Growing People Growing Business

While we ensure compliance with prevailing labour laws, we follow best practices in Industrial relations and ensure a productive and positive work environment for all.

Our People

Fatima is one of the fastest growing conglomerates in Pakistan. Over the years, Fatima has been expanding within its existing business realm together with focus on adding onto the existing business portfolio.

Strengthening Talent Base

With the speed of business growth, comes the speed of talent growth. We have fresh, lateral and internal hiring streams to cater to our evolving talent needs, ensuring intake of quality talent. We take pride in our continually evolving processes for assessing, selecting and building home grown talent through the Graduate Trainee Engineers and Management Trainees for Manufacturing and Business Commercial Functions respectively.

Integrated Talent Management Process

Our focus remains on nurturing and building Future Business Leaders to carry our rich business legacy forward. We equip people with the basics in order to perform, excel and grow. By capitalizing on the business diversity to the best of our advantage, we channelize people capability through hands on experiential learning for high potentials and bench strength alike on multi-faceted levels i.e. cross functional, intra functional and across the business with focus on building Business Leaders for the future.

On the Job learning plays a vital role in supporting and valuing employee contribution while providing avenues for career growth and development. Through our philosophy of fostering a high performance culture, we value people by managing their contribution, performance and development through a robust performance management system.

Learning and Development

Our learning and development framework caters for multi-faceted learning at every career level. Knowledge sharing through in house learning programs, by our in house training faculty for technical and soft skills, results in leveraging of in house capabilities for strengthening people.

People Development Forums

We at Fatima believe that business growth is dependent upon the potential, caliber and continued performance of our employees. It is therefore essential for the growth of Company and its people that employees are provided full opportunity to continuously build their capabilities and thus grow to their maximum potential.

People Development Forums at Fatima provide Strategic Direction to Human Capital and its effective utilization.

“Feel Well Do Well”

With one of the best healthcare facilities and Policies in the industry, Fatima believes in the physical and emotional wellbeing of people. The aim of Fatima’s Employee Wellness Program, “Feel Well do Well”, is to educate, engage, encourage and enable our people. The rationale is to create and maintain a healthy and happy lifestyle leading to employee well-being, better work performance and reduced medical expenditures.
The “Feel Well do well” initiative has provided hands on practicable information to our people on nutrition, stress, ergonomics, and women health.

Connecting to Engage

We get insight through regular surveys, informal discussions and connect sessions throughout our multiple business sites. This helps us not only in engaging people to become change agents; but also lead to continuous improvement in our services in supporting the agenda for growth.

Birthday celebrations and team recognition events are held across the business sites, whereas for the head office they are held at our in house café lounge facility “Sarsabz Lounge”. Sarsabz lounge is our very own facility where people unwind at break/ lunch time, and connect with each other in line with “Valuing People”.

Inspiring to Transform

Our Mentorship programme, transforms inspiring young talent into confident business leaders. Our senior leadership instills in them the passion and zeal required to perform their job at par. Through continuous guidance and by encouraging youngster to look for innovative solutions, Fatima is creating achievers in their respective fields.

"Alliances with Pakistan's top universities and key specialist Universities for specialist Talent needs help maintain a focused approach towards getting quality talent, for the right job at the right time. Our increasing University base provides specialist and generalist growth opportunities to the talented youngsters of Pakistan. Our Talent team's regular connect with University youngsters help in the smooth transition from Academia to Industry".

Women Development

and Gender Diversity

Women Development and Gender Diversity

As a conscious organization we at Fatima have deep rooted respect, admiration and appreciation for all the women working amidst us. With successful running since its inception in 2014, Fatima Vocational Centre, Sadiqabad has contributed in building the lives of women. By equipping Women with an array of skills such as knitting, sewing, grooming and cooking, Fatima Vocational Centre has encouraged and continues to encourage them to embrace their role as equal economic contributors for their families.

In 2016, 2 batches of 30 girls each completed their 6 months vocational training program becoming an integral part of Fatima's vision of prosper society. Fatima recognizes the value of women in contributing to the social and economic growth of Pakistan and will continue to empower them.

"Social Support to Community"

Volunteering to support the community Fatima remains committed to its mission of giving back to the society. Our CSR is more than just a statement and we truly believe that only a responsible business is a successful business. Continuing to aid the society, Fatima initiated sweat water supply program in the village "Basti Khai". This water filtration plant is the only source of safe water to the nearby population.

Also, in other efforts to provide support through engaging employees and motivating privileged members of the community, Fatima launched its "Wall of Kindness" in Multan. The wall

provides clothes, shoes and other necessary consumable items to the poor, who are hesitant to ask for help but are in no less need of it than the others.

Iftar Drive

With a growing population below the poverty line, food scarcity and hunger has become a threatening issue in the country. While Fatima's corporate social responsibility efforts covers many socio-economic issues, Ramadan brings a perfect opportunity to share kindness and engage in benevolence initiatives. Fatima Family came together in its Iftar Drive on 30th June, 2016, where more than 500 individuals in General Hospital, Lahore were provided with fresh food and drinks.

Education Support

The year 2016 was a great year for educational initiatives for Fatima. A total of Rs. 49 million was spent on various education projects given in the shape of donations, in-kind and scholarships to institutions such as NAMAL, SOS Village, Institute of Chemical Engineering - Lahore, DPS Sheikhupura, The Citizens Foundation and more. Through these efforts Fatima has supported the education of thousands of students. We are proud to mention that the education support was extended to the underprivileged students in many districts.

Fatima also sponsored the "Door of Awareness" annual fundraising dinner held on 29^{th}, December, 2016 at Royal Palm. The funds collected through the initiative were spent on academic quality improvement, expansion plans and more.

Women Development

and Gender Diversity (Contd.)

Institutional Collaborations for Social Sector Support

As a socially responsible business, we as Fatima believe in positive contribution towards strengthening communities around us. Be it donations towards patient treatment in the health sector or educating communities around us. During the reporting period, Fatima contributed PKR 373 Million on CSR including donations to the following health, education and environment organizations:

- Mian Mukhtar A Sheikh Trust
- Multan Diabetic Foundation
- Layton Rahmatulla Benevolent Trust (Lrbt)
- Al-Shifa Trust
- Aga Khan Hospital & Medical College Foundatoin
- Fatima Fertilizer Welfare Fund
- The Patients' Behbud Society for AKUH
- Shaukat Khanum Memorial Trust
- Sindh Institute of Urology & Transplantation
- Shalimar Hospital
- University of Engineering & Technology (UET)
- Lahore University of Management Sciences (LUMS)
- University of Pennsylvania

Our Reporting Parameters

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

Report Boundary

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

Reporting Period

The reporting period is January 01, 2016 to December 31, 2016 and the data has mainly been obtained from Finance, Operations, Marketing and Sales, Human Resources, Corporate Secretariat, Internal Audit, Procurement, External Auditors, HSE and CSR functions.

Report content

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

Data Measurement Techniques

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

Contact Us

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

GREEN OFFICE
A WWF INITIATIVE TO REDUCE ECOLOGICAL FOOTPRINT

Separate Financial Statements

Report of the Audit Committee

on Adherence to the Code of Corporate Governance

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2016, and reports that:

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

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

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

- The Company has complied with all the corporate and financial reporting requirements. Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, for the financial year ended December 31, 2016, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

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

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

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

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

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

INTERNAL AUDIT

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

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

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

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

EXTERNAL AUDITORS

- The statutory Auditors of the Company, Deloitte Yousuf Adil, Chartered Accountants have completed their Audit assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2016 and shall retire on the conclusion of the 14th Annual General Meeting.

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

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Audit Committee had a meeting with the external auditors without the presence of the CFO and the Head of Internal Audit. The Auditors attended the General Meeting of the Company during the Year and have confirmed attendance of the 14th Annual General Meeting scheduled for April 25, 2017 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends their reappointment for the financial year ending December 31, 2017.

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

Lahore
March 16, 2017

Muhammad Kashif Habib
Chairman-Audit Committee

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

   The independent director meets the criteria of independence as prescribed by regulation 5.19.1 (b) of Rule Book of Pakistan Stock Exchange Limited.

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. All the elected directors are either exempt or have completed their mandatory directors' training program.

10. The Board has approved appointment of Head of Internal Audit including his remuneration and terms and conditions of employment. There is no new appointment of CFO and Company Secretary during the year.

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

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

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

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

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

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

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

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

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

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

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

Lahore
March 16, 2017

Fawad Ahmed Mukhtar
Chief Executive Officer

Review Report to the Members
on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Fatima Fertilizer Company Limited (the Company), for the year ended December 31, 2016 to comply with the requirement of Regulations of the Pakistan Stock Exchange Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2016

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Dated: March 16, 2017
Lahore

Auditors' Report to the Members

We have audited the annexed balance sheet of Fatima Fertilizer Company Limited ("the Company") as at December 31, 2016 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 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, statement of comprehensive income, 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, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Dated: March 16, 2017
Lahore

Balance Sheet
as at December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,500,000,000 (2015: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital			
2,100,000,000 (2015: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	26,374,016	19,228,509
		47,374,016	40,228,509
NON CURRENT LIABILITIES			
Long term finances	7	16,342,734	13,168,124
Deferred liabilities	8	15,641,812	15,411,918
Long term deposits		50,767	33,003
		32,035,313	28,613,045
CURRENT LIABILITIES			
Trade and other payables	9	17,399,012	8,645,991
Accrued finance cost	10	259,420	260,003
Short term finances - secured	11	8,011,332	10,229,486
Current maturity of long term finances	7	5,518,025	6,812,119
		31,187,789	25,947,599
CONTINGENCIES & COMMITMENTS	12		
		110,597,118	94,789,153

The annexed explanatory notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

	Note	2016	2015
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	72,941,374	73,409,090
Intangible assets	14	17,909	26,370
		72,959,283	73,435,460
Long term investments	15	2,238,400	2,106,450
Long term loan to associated company	16	2,999,000	2,200,000
Long term deposits		129,862	18,530
		78,326,545	77,760,440
CURRENT ASSETS			
Stores and spares	17	4,972,467	4,460,204
Stock in trade	18	6,242,649	7,002,664
Trade debts	19	2,115,557	335,002
Short term loans	20	2,448,888	500,000
Advances, deposits, prepayments and other receivables	21	5,190,668	4,435,640
Short term investment - available for sale		200,460	–
Cash and bank balances	22	11,099,884	295,203
		32,270,573	17,028,713
		110,597,118	94,789,153

Director

Profit and Loss Account

for the year ended December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
Sales	23	33,764,644	30,225,975
Cost of sales	24	(15,779,727)	(13,208,888)
Gross profit		17,984,917	17,017,087
Distribution cost	25	(2,382,529)	(1,782,184)
Administrative expenses	26	(1,308,273)	(1,021,017)
		14,294,115	14,213,886
Finance cost	27	(2,739,412)	(2,379,218)
Other operating expenses	28	(630,759)	(860,703)
		10,923,944	10,973,965
Other income	29	702,558	574,313
Profit before tax		11,626,502	11,548,278
Taxation	30	(1,844,359)	(2,294,667)
Profit for the year		9,782,143	9,253,611
Earnings per share - basic and diluted (Rupees)	32	4.66	4.41

The annexed explanatory notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income

for the year ended December 31, 2016

	2016	2015
	(Rupees in thousand)	
Profit for the year	9,782,143	9,253,611
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of investments - available for sale	500	–
Related tax thereon	(155)	
	345	–
Items that may not be reclassified subsequently to profit or loss:		
Re measurement of post retirement benefits obligation	(16,691)	(10,480)
Related tax thereon	4,710	3,354
	(11,981)	(7,126)
Other comprehensive income - net of tax	(11,636)	(7,126)
Total comprehensive income for the year	9,770,507	9,246,485

The annexed explanatory notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

for the year ended December 31, 2016

	Ordinary share capital	Share premium	Post retirement benefit obligation reserve	Unappropriated profit	Surplus on remeasurement of investment - available for sale	Total
			(Rupees in thousand)			
Balance as at December 31, 2014	21,000,000	1,790,000	(23,311)	13,990,335	–	36,757,024
Profit for the year	–	–	–	9,253,611	–	9,253,611
Other comprehensive income	–	–	(7,126)	–	–	(7,126)
Total comprehensive income	–	–	(7,126)	9,253,611	–	9,246,485
Transactions with owners:						
- Final dividend for the year ended December 31, 2014 @ Rs 2.75 per share	–	–	–	(5,775,000)	–	(5,775,000)
Balance as at December 31, 2015	21,000,000	1,790,000	(30,437)	17,468,946	–	40,228,509
Profit for the year	–	–	–	9,782,143	–	9,782,143
Other comprehensive income	–	–	(11,981)	–	345	(11,636)
Total comprehensive income	–	–	(11,981)	9,782,143	345	9,770,507
Transactions with owners:						
- Interim dividend for the year ended December 31, 2016 @ Rs 1.25 per share	–	–	–	(2,625,000)	–	(2,625,000)
Balance as at December 31, 2016	21,000,000	1,790,000	(42,418)	24,626,089	345	47,374,016

The annexed explanatory notes from 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

for the year ended December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	22,731,606	9,747,626
Net increase in long term deposits		17,764	–
Finance cost paid		(2,754,433)	(2,497,766)
Taxes paid		(1,183,025)	(1,176,873)
Employee retirement benefits paid		(37,126)	(19,150)
Net cash from operating activities		18,774,786	6,053,837
Cash flows from investing activities			
Additions in property, plant and equipment		(2,228,889)	(5,505,684)
Additions in intangible assets		(7,885)	(14,669)
Long term investments		(131,950)	(2,020,644)
Long term loan to associated company - net		(799,000)	–
Short term loans		(1,948,888)	300,000
Short term investment		(199,960)	–
Proceeds from disposal of property plant and equipment		868	131
Net increase in long term loans and deposits		(111,332)	(5,250)
Profit received on short term loan and saving accounts		415,053	408,952
Net cash used in investing activities		(5,011,983)	(6,837,164)
Cash flows from financing activities			
Repayment of long term finances		(15,747,059)	(6,375,122)
Proceeds from long term finances		17,627,575	2,645,026
Dividend paid		(2,620,484)	(5,770,092)
(Decrease) / increase in short term finances - net		(2,218,154)	9,629,911
Net cash (used in) / from financing activities		(2,958,122)	129,723
Net increase / (decrease) in cash and cash equivalents		10,804,681	(653,604)
Cash and cash equivalents at the beginning of the year		295,203	948,807
Cash and cash equivalents at the end of the year		11,099,884	295,203

The annexed explanatory notes from 1 to 42 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, 2016

1. Legal Status and nature of business

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

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

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

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 Amendments to published approved accounting standards that are effective for the year ended December 31, 2016

The following amendments to published approved accounting standards are effective from January 1, 2016. These amendments are, either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IFRS 5 - Non current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.
- Amendments to IFRS 7 - Financial Instruments – Disclosures': Disclosure requirements for servicing arrangements on continuing involvement in transferred financial assets.
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures: Application of consolidation exception.
- Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisitions of an interest in a joint operation.
- Amendments to IAS 1 - Presentation of Financial Statements: Amendments resulting from the disclosure initiative.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification on acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Bringing bearer plants in scope of IAS 16.
- Amendments to IAS 19 - Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
- Amendments to IAS 27 (Revised 2011) - Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- Amendments to IAS 34 - Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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

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

	Effective from accounting period
– Amendments to IFRS 2 - Share-based Payment': Clarification of the classification and measurement of share-based payment transactions.	January 01, 2018
– Amendments to IAS 7 - Statement of Cash Flows': Amendments as result of the disclosure initiative.	January 01, 2017
– Amendments to IAS 12 - Income Taxes': Recognition of deferred tax assets for unrealised losses.	January 01, 2017
– Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements).	January 01, 2018
– Amendments to IAS 40 - Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
– IFRIC 22 - Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

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 8.2.1 (g).

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, 2016. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in 'Other Comprehensive Income (OCI)' as they occur.

b) Accumulating compensated absences

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

c) Defined contribution plan - Provident Fund

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

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

4.3 Property, plant and equipment

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

Depreciation on property, plant and equipment is charged to profit and loss account on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 13.

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.

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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 charges for the month in which asset is disposed off.

4.6 Leases

The Company is the lessee.

Operating leases

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

4.7 Investments

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

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

Financial assets at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

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

4.8 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and 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.

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

4.9 Offsetting of financial assets and liabilities

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

4.10 Stores and spares

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

4.11 Stock in trade

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

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

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

4.12 Trade debts and other receivables

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

4.13 Cash and cash equivalents

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

4.14 Borrowings

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and

Notes to and forming part of the Financial Statements

for the year ended December 31, 2016

loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

4.15 Related party transactions

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

4.16 Trade and other payables

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

4.17 Provisions

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

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

4.18 Derivative financial instruments

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

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

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

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

4.19 Impairment

Financial assets

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

Non financial assets

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

4.20 Revenue recognition

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

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

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

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

Interest income is recognized on accrual basis.

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

4.22 Borrowing costs

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

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4.23 Earning Per Share

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

5 Issued, subscribed and paid up share capital

2016	2015		2016	2015
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000
100,000,000	100,000,000	Ordinary shares of Rs 10 each issued on conversion of fully paid preference shares @ Rs 20 each	1,000,000	1,000,000
2,100,000,000	2,100,000,000		21,000,000	21,000,000

	2016	2015
	(Number of Share)	
5.1 Ordinary shares of the Company held by associates at year end are as follows:		
Arif Habib Corporation Limited	319,000,206	319,000,206
Fatima Holding Limited	270,343,091	268,572,091
Reliance Commodities (Private) Limited	209,863,694	208,863,694
Fazal Cloth Mills Limited	69,514,031	69,514,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
	871,346,188	868,575,188

	Note	2016	2015
		(Rupees in thousand)	
6 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		24,626,089	17,468,946
Post retirement benefit obligation reserve		(42,418)	(30,437)
Surplus on remeasurement of investments - available for sale		345	–
		26,374,016	19,228,509
7 Long term finances			
Rated, listed and secured Ijarah Sukuk Certificates	7.1	10,500,000	–
Secured loans from banking companies / financial institutions	7.2	11,360,759	19,980,243
		21,860,759	19,980,243
Less: Current maturity of long term finances		5,518,025	6,812,119
		16,342,734	13,168,124

		2016	2015
		(Rupees in thousand)	
7.1	**Rated, listed and secured Ijarah Sukuk Certificates**		
	Issued during the year:		
	Through private placement	7,875,000	–
	Through initial public offer (IPO)	2,625,000	–
		10,500,000	–
	Less: Current portion	2,100,000	–
		8,400,000	–

During the year, the Company has issued Ijarah Sukuk Certificates (the Certificates) amounting to Rs 10,500 million (face value of Rs 5,000 per certificate) with the principal purpose to repay the outstanding balance of Senior Facility (SF) - an existing long term loan of the Company. The SF was priced at 6 months KIBOR + 2% and was due to mature in November 2018.

The Certificates have been issued in private (pre IPO) placement and in IPO in the ratio of 75:25. The private placement of Rs 7,875 million was subscribed on November 28, 2016 (Ijarah Commencement Date). The subscriptions for IPO amounting to Rs 2,625 million were closed on December 29, 2016.

The tenure of the Certificates is 5 years and will be redeemed in ten equal semi annual instalments from the Ijarah Commencement Date.

The profit is payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The first such profit payment will fall due six months from the Ijarah Commencement Date and subsequently, every six months thereafter.

The Certificates are secured by pari pssu charge over all present and future fixed assets of the Company. The Certificates have been rated 'AA-' (Double A Minus) by PACRA on November 11, 2016. The Certificates got listed on Pakistan Stock Exchange on January 25, 2017.

			2016	2015
		Note	(Rupees in thousand)	
7.2	**Secured loans from banking companies / financial institutions**			
	Long Term Syndicated Loan (Senior Facility)		–	12,255,491
	Syndicated Term Finance Agreement - I (STFA - I)		–	800,000
	Syndicated Term Finance Agreement - II (STFA - II)	7.2.1	1,389,863	2,779,727
	Syndicated Term Finance Agreement - III (STFA - III)	7.2.2	2,369,667	2,467,000
	Syndicated Term Finance Agreement - IV (STFA - IV)	7.2.3	3,000,000	–
	Export Credit Agency Finance	7.2.4	1,976,229	1,678,025
	HBL Term Loan	7.2.5	2,625,000	–
			11,360,759	19,980,243
	Less: Current portion		3,418,025	6,812,119
			7,942,734	13,168,124

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

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

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.10% to 7.52% (2015: 7.41% to 10.66%) per annum.

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

The loan is repayable in five years with one year grace period in eight half yearly installments. Last repayment is due on November 20, 2017. During the year the Company has paid two installments aggregating to Rs 1,389.863 million (2015: Rs 1,389.863 million).

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

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

During the year the Company has received further disbursement of Rs 500 million against this facility.

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.05% to 7.57% (2015: 7.53% to 10.64%) per annum.

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

The loan is repayable in five years with one year grace period in eight half yearly installments. Last repayment is due on October 26, 2020. During the year the Company has paid two installments aggregating to Rs 597.333 million (2015: Rs Nil).

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

This facility was obtained during the year from a consortium of commercial banks led by Allied Bank Limited, with a facility amount upto Rs 3,000 million, inclusive of green shoe option of Rs 1,000 million.

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 7.11% (2015: Nil) per annum.

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

The loan is repayable in three years including one year grace period in four half yearly installments starting from May 28, 2018.

7.2.4 Export Credit Agency Finance

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

During the year, the Company received disbursement of the remaining USD 5.988 million out of the total USD 22 million.

The facility carries markup rate of 3 months LIBOR plus 4.25 % per annum. The effective rate of markup charged during the year ranged from 4.66% to 5.21% (2015: 4.53%) per annum.

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

This loan is repayable in twenty one equal quarterly installments with grace period of one year. Last repayment is due on June 15, 2021. During the year the Company has paid three installments aggregating to USD 3.142 million (2015: Rs Nil).

7.2.5 HBL Term Loan

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

The facility carries markup at the rate of 6 months KIBOR plus 1.25% per annum. The effective rate of markup charged during the year ranged from 7.37% to 7.40% (2015: Nil) per annum.

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

The loan is repayable in four years in eight half yearly installments. Last repayment is due on June 30, 2020. During the year the Company has paid one installments amounting to Rs 375 million (2015: Rs Nil).

7.2.6 The aggregate unavailed long term financing facilities amount to Rs 33 million (2015: Rs 1,160.575 million).

		Note	2016	2015
			(Rupees in thousand)	
8	**Deferred liabilities**			
	Deferred taxation	8.1	15,226,084	15,062,090
	Employee retirement benefits	8.2	415,728	349,828
			15,641,812	15,411,918

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

8.1 Deferred taxation

	2016			
	December 31, 2015	Charged / (credited) to profit and loss	Charged to other comprehensive	December 31, 2016
	(Rupees in thousand)			
Deferred tax liabilities:				
Accelerated tax depreciation	15,109,567	170,431	–	15,279,998
Re measurement of short term Investment - available for sale	–	–	155	155
	15,109,567	170,431	155	15,280,153
Deferred tax asset:				
Provision for retirement benefits	(32,646)	(1,882)	–	(34,528)
Re measurement of defined benefit obligation	(14,831)	–	(4,710)	(19,541)
	(47,477)	(1,882)	(4,710)	(54,069)
	15,062,090	168,549	(4,555)	15,226,084

	2015			
	December 31, 2014	Charged / (credited) to profit and loss	Charged to other comprehensive	December 31, 2015
	(Rupees in thousand)			
Deferred tax liabilities:				
Accelerated tax depreciation	15,341,978	(232,411)	–	15,109,567
Deferred tax asset:				
Carry forward tax depreciation losses	(1,145,633)	1,145,633	–	–
Provision for retirement benefits	(27,949)	(4,697)	–	(32,646)
Re measurement of defined benefit obligation	(12,553)	1,076	(3,354)	(14,831)
	(1,186,135)	1,142,012	(3,354)	(47,477)
	14,155,843	909,601	(3,354)	15,062,090

	Note	2016	2015
		(Rupees in thousand)	
8.2 Employee retirement benefits			
Gratuity	8.2.1	304,348	247,810
Accumulating compensated absences	8.2.2	111,380	102,018
		415,728	349,828

		2016	2015
		(Rupees in thousand)	
8.2.1	**Gratuity**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	304,348	247,810
	Net liability at the end of the year	304,348	247,810
b)	**Movement in liability**		
	Net liability at the beginning of the year	247,810	185,493
	Charge for the year	63,923	65,042
	Benefits paid during the year	(24,076)	(13,205)
	Re measurement changes chargeable to other comprehensive income	16,691	10,480
	Net liability at the end of the year	304,348	247,810
c)	**Charge for the year**		
	Current service cost	47,812	39,953
	Liability transferred (to) / from sister company	(5,049)	6,375
	Interest cost	21,160	18,714
		63,923	65,042
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	48,198	48,326
	Administrative expenses	15,725	16,456
	Distribution cost	–	260
		63,923	65,042
e)	**Total remeasurement chargeable to other comprehensive income**		
	Re measurement of plan obligation:		
	Actuarial gains from changes in financial assumptions	(775)	–
	Experience adjustments	17,466	10,480
		16,691	10,480
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	247,810	185,493
	Current service cost	47,812	39,953
	Interest cost	21,160	18,714
	Liability transferred (to) / from sister company	(5,049)	6,375
	Benefit paid during the year	(24,076)	(13,205)
	Re measurement of plan obligation	16,691	10,480
	Defined benefit obligations at end of the year	304,348	247,810

Notes to and forming part of the Financial Statements

for the year ended December 31, 2016

		2016	2015
g)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.0%	10.5%
	Discount rate for year end obligation	8.0%	9.0%
	Salary increase used for year end obligation	8.0%	9.0%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
		% age	(Rupees in thousand)	
h)	**Sensitivity analysis**			
	Discount rate	1%	(281,663)	330,780
	Salary growth rate	1%	331,331	(280,725)

i) The expected contribution to defined benefit obligation for the year ending December 31, 2017 will be Rs 75.276 million.

		2016	2015
		(Rupees in thousand)	
8.2.2	**Accumulating compensated absences**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	111,380	102,018
	Net liability at the end of the year	111,380	102,018
b)	**Movement in liability**		
	Net liability at the beginning of the year	102,018	79,853
	Charge for the year	22,412	28,111
	Benefits paid during the year	(13,050)	(5,946)
	Net liability at the end of the year	111,380	102,018
c)	**Charge for the year**		
	Current service cost	8,296	7,572
	Interest cost	5,523	8,072
	Experience adjustment	8,593	12,467
		22,412	28,111
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	16,868	20,887
	Administrative expenses	5,544	7,112
	Distribution cost	–	112
		22,412	28,111

		2016	2015
		(Rupees in thousand)	
e)	**Movement in the present value of obligation**		
	Defined benefit obligation at beginning of the year	102,018	79,853
	Current service cost	8,296	7,572
	Interest cost	5,523	8,072
	Benefit paid during the year	(13,050)	(5,946)
	Experience adjustment	8,593	12,467
	Defined benefit obligations at end of the year	111,380	102,018
f)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.0%	10.5%
	Discount rate for year end obligation	8.0%	9.0%
	Salary increase used for year end obligation	8.0%	9.0%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
		% age	(Rupees in thousand)	
g)	**Sensitivity analysis**			
	Discount rate	1%	(120,773)	103,302
	Salary growth rate	1%	120,956	(102,982)

		Note	2016	2015
			(Rupees in thousand)	
9	**Trade and other payables**			
	Creditors	9.1	3,041,652	3,410,318
	Advances from customers		2,588,669	497,828
	Accrued liabilities		525,275	1,138,839
	Withholding tax		149,278	70,206
	Workers profit participation fund	9.2	2,796,742	2,358,026
	Workers welfare fund	9.3	94,339	1,085,387
	Retention money payable		29,267	28,630
	Provident fund payable		10,892	8,229
	Unclaimed dividend		24,150	19,634
	Over subscribed Sukuk IPO	9.4	8,092,675	–
	Others		46,073	28,894
			17,399,012	8,645,991

9.1 Deciding on the petition filed by the Company against levy of Gas Infrastructure Development Cess (GIDC), the Honorable Sindh High Court has struck down the GIDC Ordinance abinitio and has ordered the Government of Pakistan (the Government) to refund all the amounts collected under GIDC.

Notes to and forming part of the Financial Statements
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The Government initially imposed GIDC by way of the GIDC Act, 2011 which was declared as unconstitutional and invalid by the Honourable Peshawer High Court, whose decision was upheld by the Honourable Supreme Court of Pakistan in the case of Federation of Pakistan v. Durrani Ceramics. Subsequently, the Government enacted the GIDC Ordinance, 2014 and simultaneously also filed a review petition against the Judgment of the Supreme Court of Pakistan, which was subsequently dismissed. The GIDC Ordinance, 2014 was superseded by the GIDC Act, 2015 on May 23, 2015 and the said Act has been struck down by the Honourable Sindh High Court.

The decision Honorable Sindh High Court in the Company's and related cases has been challenged by the Government before a Division Bench of the Sindh High Court. Taking a prudent approach to date the Company has accrued Rs 2,240.972 million (2015: Rs 1,480.896 million) on account of GIDC on fuel stock only. However no amount has been booked for GIDC on Feed stock as the Company is entitled to receive Feed stock at fixed price as committed by the Government of Pakistan in Fertilizer Policy 2001.

		Note	2016	2015
			(Rupees in thousand)	
9.2	**Workers profit participation fund**			
	Balance as at December 31, 2015		2,358,026	1,954,365
	Provision charge for the year		566,856	620,205
	Payment made during the year		(128,140)	(216,544)
	Balance as at December 31, 2016		2,796,742	2,358,026
9.3	**Workers welfare fund**			
	Balance as at December 31, 2015		1,085,387	849,709
	Provision charge for the year		94,339	235,678
	Reversal of provision during the year	28.2	(946,818)	–
	Net Charge for the year		(852,479)	253,540
	Payment made during the year		(138,569)	–
	Balance as at December 31, 2016		94,339	1,085,387

9.4 This represents over subscribed amount on Sukuk IPO. The amount has been refunded to unsuccessful applicants in January 2017.

		Note	2016	2015
			(Rupees in thousand)	
10	**Accrued finance cost**			
	On long term finances		116,236	149,119
	On short term finances		143,184	110,884
			259,420	260,003
11	**Short term finances**			
	Secured loans from banking companies			
	Cash finance	11.1	3,635,400	6,954,700
	Running finance	11.2	2,881,848	2,184,846
	Finance against imported merchandise	11.3	1,494,084	1,089,940
			8,011,332	10,229,486

11.1 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 6.36% to 7.52% (2015: 6.81% to 8.84%) per annum.

11.2 These facilities have been obtained from various banks for working capital requirements, and are secured by Pari Passu charge of Rs 5,334.67 million (2015: Rs 5,335.34 million) on present and future current assets.

The facilities carry markup ranging from 6.37% to 8.36% (2015: 7.50% to 10.90%) per annum.

11.3 These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 6.54% to 7.59% (2015: 2.15% to 7.59%) per annum.

11.4 The aggregate unavailed short term borrowing facilities amount to Rs 6,827.752 million (2015: Rs 1,135.154 million).

12 Contingencies and commitments

12.1 Contingencies

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

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

(ii) The Company's stance was vindicated by Commissioner Inland Revenue Appeals [CIR(A)], as he annulled the order passed by Deputy Commissioner Inland Revenue (DCIR), Multan creating a demand of Rs 759 million along with 100% penalty by treating the stocks of finished fertilizer products transferred to Company warehouses as sales without any cogent legal grounds.

The decision has been challenged by the Department in appeal before Appellate Tribunal Inland Revenue.

(iii) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the excess input tax amounting to Rs 12.68 million in January 2012 sales tax return. The Commissioner Inland Revenue Appeals has allowed input tax to the extent of Rs 2.829 million. For the remaining amount, the Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR).

(iv) Subsequent to year end, the amounts adjudged in the following impugned orders have been paid by the Company under protest:

– Orders passed by Deputy Commissioner Inland Revenue, Multan and upheld by CIR(A) and ATIR, alleging that the Company has short paid sales tax by suppression of production. Total demand raised is Rs 628 million.

  The Company has filed a reference against the order of ATIR before Lahore High Court which is pending.

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- Order passed by Deputy Commissioner Inland Revenues (DCIR), RTO Multan alleging that the Company claimed input tax amounting to Rs 154.87 million pertaining to an exempt period. Earlier appeal before Commissioner Inland Revenues (Appeals) did not succeed. The Company has challenged the decision of Commissioner Inland Revenues (Appeal) before Appellate Tribunal, Inland Revenues.

- Order passed by Additional Commissioner Inland Revenue, Multan, alleging that the Company has not paid Sales tax on retail price on supplies of CAN and NP. Total demand raised is Rs 88.5 million. Earlier appeal was successfully decided in favor of Company by ATIR. Tax department filed a reference in Lahore High Court, where the case was remanded back to Additional Commissioner Inland Revenues, Multan, who decided the case against Company. The Company has filed an appeal with Commissioner Inland Revenues (Appeals).

- Order passed by the Deputy Commissioner Inland Revenues (DCIR), RTO Multan after conducting Sales Tax audit for a period from July 2011 to June 2012 amounting to Rs 301.67 Million. Company has preferred an appeal before Commissioner Inland Revenues (Appeals).

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

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

- Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million; and

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

Based on the advice of the Company's legal counsel, management is confident that no financial liability will arise in all the above referred cases, therefore no provision has been recognized.

(vi) The Custom Appellate Tribunal, Lahore, has remanded back to Collector of Customs (Adjudication), Faisalabad for re hearing the case in respect of alleging irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. Demand raised Rs 495.900 million. At present, no hearing was scheduled since the matter was remanded back to Collector (Adjudication), Faisalabad.

Based on the advice of the Company's legal counsel, management is confident that no financial liability will arise in the above referred case; therefore no provision has been recognized.

(vii) Custom Appellate Tribunal, Lahore has passed a judgment in favour of company raising a demand by Collector of Customs (Adjudication), Faisalabad, alleging that the Company applied incorrect exchange rate of Rs 60.85 per USD instead of Rs 79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised was Rs 17.936 million. The Customs department has filed an appeal against of Order passed by Custom Appellate Tribunal before Lahore High Court.

Based on the advice of the Company's legal counsel, management is confident that no financial liability will arise in the above referred case; therefore no provision has been recognized.

(vi) Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax has been introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. The Company has filed two Constitutional Petitions in the Honorable High Court of Sindh challenging the levy of ACT for Tax year 2014 and Tax year 2015, on grounds that it has deprived the Company of certain rights already accrued to it. Stay in this regard has been granted to the Company for both the tax years. The Company's petition is pending for hearing in the High Court.

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

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 572.861 million (2015: Rs 1,041.900 million).

(ii) Contracts for other than capital expenditure Rs 107.455 million (2015: Rs 220.344 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	2016	2015
		(Rupees in thousand)	
Not later than one year		288,876	149,948
Later than one year but not later than five years		189,670	206,211
		478,546	356,159

13 Property, plant and equipment

	Note	2016	2015
Operating fixed assets - tangible	13.1	70,493,773	69,390,580
Capital work in progress	13.2	2,447,601	4,018,510
		72,941,374	73,409,090

Notes to and forming part of the Financial Statements

for the year ended December 31, 2016

13.1 Operating fixed assets - tangible

2016

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2015	Additions / (deletions)	December 31, 2016	December 31, 2015	charge / (deletions)	December 31, 2016	December 31, 2016	rate
	(Rupees in thousand)							%
Freehold land	435,069	–	435,069	–	–	–	435,069	–
Building	3,760,446	79,487	3,839,933	564,139	152,243	716,382	3,123,551	4
Plant and machinery	70,812,161	2,684,870	73,497,031	5,831,272	1,453,146	7,284,418	66,212,613	4
Furniture and fixtures	76,939	10,532	87,471	31,557	8,098	39,655	47,816	10
Office equipment	34,998	4,889	39,887	11,248	3,811	15,059	24,828	10
Electrical installations and appliances	885,795	60,549	946,344	390,911	92,790	483,701	462,643	10
Computers	248,547	38,056	284,289	120,449	52,071	170,342	113,947	25
		(2,314)			(2,178)			
Vehicles	242,131	19,470	261,031	155,930	32,365	187,725	73,306	20
		(570)			(570)			
	76,496,086	2,897,853	79,391,055	7,105,506	1,794,524	8,897,282	70,493,773	
		(2,884)			(2,748)			

2015

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2014	Additions / (deletions)	December 31, 2015	December 31, 2014	charge / (deletions)	December 31, 2015	December 31, 2015	rate
	(Rupees in thousand)							%
Freehold land	435,069	–	435,069	–	–	–	435,069	–
Building	3,412,980	347,466	3,760,446	423,388	140,751	564,139	3,196,307	4
Plant and machinery	66,342,550	4,469,611	70,812,161	4,493,542	1,337,730	5,831,272	64,980,889	4
Furniture and fixtures	67,981	8,958	76,939	24,370	7,187	31,557	45,382	10
Office equipment	27,314	7,684	34,998	8,273	2,975	11,248	23,750	10
Electrical installations and appliances	772,660	113,135	885,795	306,977	83,934	390,911	494,884	10
Computers	138,503	110,656	248,547	83,374	37,628	120,449	128,098	25
		(612)			(553)			
Vehicles	209,616	32,515	242,131	121,523	34,407	155,930	86,201	20
	71,406,673	5,090,025	76,496,086	5,461,447	1,644,612	7,105,506	69,390,580	
		(612)			(553)			

	2016	2015
	(Rupees in thousand)	
13.2 Capital work in progress		
Civil works	648,360	447,175
Plant and machinery	828,219	2,168,583
Capital stores	326,078	303,897
Advances		
- Freehold land	159,758	159,758
- Civil works	4,328	4,832
- Plant and machinery	180,858	634,265
- Other advances	300,000	300,000
	644,944	1,098,855
	2,447,601	4,018,510

	Note	2016	2015
		(Rupees in thousand)	
13.2.1 Movement of capital work in progress			
Opening balance		4,018,510	2,877,944
Addition during the year		1,958,985	5,395,102
		5,977,495	8,273,046
Capitalization during the year		(2,613,512)	(4,254,536)
Plant and machinery written off	28.1	(916,382)	–
Closing balance		2,447,601	4,018,510
13.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales		1,729,067	1,596,398
Administrative expenses		61,971	44,844
Distribution cost		3,486	3,370
		1,794,524	1,644,612

13.4 Disposal of operating fixed assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain
		(Rupees in thousand)			
Computers					
Items having book value below Rs 50,000	2,314	2,178	136	343	207
Vehicles					
Items having book value below Rs 50,000	570	570	–	525	525
2016	2,884	2,748	136	868	732
2015	612	553	59	131	72

14 Intangible assets

2016

	Cost			Accumulated amortization			Book value	Amortization rate
	December 31, 2015	Additions	December 31, 2016	December 31, 2015	Charge / (deletion)	December 31, 2016	December 31, 2016	
				(Rupees in thousand)				%
Computer software	75,063	7,885	82,948	48,693	16,346	65,039	17,909	25

2015

	Cost			Accumulated amortization			Book value	Amortization rate
	December 31, 2014	Additions	December 31, 2015	December 31, 2014	Charge / (deletion)	December 31, 2015	December 31, 2015	
				(Rupees in thousand)				%
Computer software	60,394	14,669	75,063	30,311	18,382	48,693	26,370	25

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
15 Long term investment			
Investment in wholly subsidiary companies - at cost			
Fatimafert Limited	15.1	2,152,444	2,020,634
Buber Sher (Pvt) Limited	15.2	10	10
		2,152,454	2,020,644
Investment in associated companies - at cost			
Multan Real Estate Company (Pvt) Limited	15.3	85,806	85,806
Fatima Electric Company Limited	15.4	140	–
Singfert Pte. Ltd.	15.5	–	–
		85,946	85,806
		2,238,400	2,106,450

15.1 Fatimafert Limited (FF) is a wholly owned subsidiary of the Company. The investment represents 100 million (2015: 100 million) fully paid ordinary shares of Rs 10 each. The principal business of FF is production, purchase and sale of fertilizers.

The entire share capital of FF was acquired against purchase price of Rs 2,152.444 million. The price of 100% shares of FF was valued as total of:

(i) differential between the agreed enterprise value of FF (Rs 6,600 million) and the total long term loans of Rs 4,607 million, and

(ii) excess of current assets over current liabilities of FF at June 30, 2015 determined to be Rs 159.944 million. Out of this amount Rs 131.810 million has been settled as transfer of steam / gas turbines for plant and machinery belonging to FF.

15.2 This represents investment in 1,000 fully paid ordinary shares of Rs 10 each of Bubber Sher (Pvt) Limited (BSPL). The investment represents 100% of the total issued, subscribed and paid up capital of BSPL. BSPL owns the brand "Bubber Sher".

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

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

15.4 This represents investment in 14,000 fully paid ordinary shares of Rs 10 each of Fatima Electric Company Limited (FECL). The investment represents 40% of the total issued, subscribed and paid up share capital of FECL.

The main business of FECL is transmission, manufacture, supply, generation and distribution of electricity and all forms of energy and power.

15.5 This represents investment in 1 fully paid ordinary share of SGD 1 of Singfert Pte. Ltd. (Singfert) a company formed and registered in the Republic of Singapore. The investment represents 25% of the total issued, subscribed and paid up share capital of Singfert.

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

16 Long term loan to associated company

This represents loan given to the Pakarab Fertilizers Limited, an associated company as approved in the Extra ordinary General Meeting of the Company held on December 23, 2016. As per the revised terms of the agreement, the nature of existing Rs 3 billion loan has been changed from renewable limit in the nature of running finance facility for period(s) of one year to a long term loan for a 5 year period with two and a half years grace period. The loan is receivable in 6 semiannual installments for principal. Interest is to be settled semi annually.

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.27% to 8.63% (2015: 8.63% to 11.75%) per annum.

The loan is fully secured against ranking charge on all present and future fixed assets of the associated company.

	Note	2016	2015
		(Rupees in thousand)	
17 Stores and spares			
Stores		244,080	237,058
Spares		3,845,187	3,268,315
Catalyst and chemicals		883,200	954,831
		4,972,467	4,460,204
18 Stock in trade			
Raw material {including in-transit Rs 886.215 million (2015: 1,670.775 million)}		1,692,184	2,766,315
Packing material		7,181	1,017
Mid products			
Ammonia		10,986	23,906
Nitric Acid		4,507	5,264
Others		369	287
		15,862	29,457
Finished goods			
Urea		1,859,200	836,002
NP		1,405,781	2,495,358
CAN		1,193,754	817,676
Certified emission reductions		68,687	56,839
		4,527,422	4,205,875
		6,242,649	7,002,664
19 Trade debts			
Considered good:			
Secured		1,883,813	335,002
Un-secured	19.1	231,744	–
		2,115,557	335,002

19.1 All these debtors are not past due.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2016

		Note	2016	2015
			(Rupees in thousand)	
20	**Short term loans**			
	Subsidiary company			
	Fatimafert Limited	20.1	1,257,165	–
	Associated company			
	Reliance Commodities (Pvt) Limited	20.2	1,191,723	500,000
			2,448,888	500,000

20.1 This represents loan against aggregate approved facility of Rs 1,500 million provided to subsidiary company to support functionality and business requirements. The loan was approved in the meeting of the Board of Directors held on April 27, 2016. The loan is repayable within 30 business days notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year was 7.93% (2015: Nil) per annum. The maximum amount of loan outstanding during the year was 1,443 million.

20.2 This represents loan given to the associated company as per the terms of the agreement dated April 30, 2015. At the Extra Ordinary General Meeting of the Company held on December 23, 2016 the amount of loan has been enhanced from Rs 500 million to an aggregate amount of Rs 1,250 million. The loan is repayable within 30 business days notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.17% to 8.59% (2015: 8.59% to 9.51%) per annum. The loan is fully secured against a ranking charge over the present and future current assets of the associated company. The maximum amount of loan outstanding during the year was Rs 1,191.72 million.

		2016	2015
		(Rupees in thousand)	
21	**Advances, deposits, prepayments and other receivables**		
	Advances - considered good		
	- to employees	21,208	35,621
	- to suppliers	298,680	333,694
		319,888	369,315
	Margin deposits held by banks	28,099	93,538
	Prepayments	47,320	38,855
	Advance income tax paid	942,996	1,574,349
	Receivable from Government of Pakistan		
	-Advance Sales tax Paid	1,072,201	1,045,672
	-Subsidy receivable	1,344,862	368,226
		2,417,063	1,413,898
	Advance sales tax on receipts	142,023	28,503
	Markup receivable	122,749	117,359
	Others	1,170,530	799,823
		5,190,668	4,435,640

		Note	2016	2015
			(Rupees in thousand)	
22	**Cash and bank balances**			
	At banks			
	- saving accounts	22.1	173,575	42,465
	- current accounts	22.2	10,925,066	250,539
	Cash in hand		1,243	2,199
			11,099,884	295,203

22.1 The balances in saving accounts carry markup ranging from 3.75% to 5.75% (2015: 5.75% to 9.0%) per annum.

22.2 This includes Rs 8,092.675 million received as over subscribed amount on Sukuk IPO. The amount has been refunded to unsuccessful applicants in January 2017.

		Note	2016	2015
			(Rupees in thousand)	
23	**Sales**			
	Fertilizer Products		31,863,695	30,065,900
	Subsidy from Government of Pakistan	23.2	2,900,073	368,226
	Mid products		342,777	275,924
	Certified emission reductions		–	14,406
			35,106,545	30,724,456
	Discounts		(1,341,901)	(498,481)
			33,764,644	30,225,975

23.1 Sales are exclusive of sales tax of Rs 5,195.841 million (2015: Rs 5,414.017 million).

23.2 This represents:

– subsidy on sale of phosphatic fertilizers announced by Ministry of Food Security and Research, Government of Pakistan under "Support package for fertilizer sector" of Rs 20 billion, on October 15, 2015. The said scheme was discontinued on May 27, 2016; and

– subsidy on sale of fertilizers announced in Federal Budget 2016-17 by the Government of Pakistan.

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for the year ended December 31, 2016

		Note	2016	2015
			(Rupees in thousand)	
24	**Cost of sales**			
	Raw material consumed		6,268,528	6,568,456
	Packing material consumed		811,418	703,623
	Salaries, wages and other benefits	24.1	1,980,574	1,893,683
	Fuel and power		3,503,974	3,703,539
	Chemicals and catalyst consumed		384,015	394,758
	Stores and spares consumed		614,306	1,191,988
	Technical assistance		78,516	111,496
	Repair and maintenance		284,799	287,300
	Insurance		168,331	298,158
	Travelling and conveyance		96,546	105,713
	Rent, rates and taxes		44,664	88,383
	Vehicle running and maintenance		39,737	52,351
	Depreciation	13.3	1,729,067	1,596,398
	Others		83,204	79,269
	Manufacturing cost		16,087,679	17,075,115
	Opening stock of mid products		29,457	23,785
	Closing stock of mid products		(15,862)	(29,457)
	Cost of goods manufactured		16,101,274	17,069,443
	Opening stock of finished goods		4,205,875	345,320
	Closing stock of finished goods		(4,527,422)	(4,205,875)
			15,779,727	13,208,888

24.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 102.349 million (2015: Rs 101.365 million).

		Note	2016	2015
			(Rupees in thousand)	
25	**Distribution cost**			
	Salaries, wages and other benefits	25.1	103,992	244,268
	Fee for services	25.2	283,873	–
	Rent, rates and taxes		219,587	74,707
	Advertisement and sales promotion		185,879	287,338
	Transportation and freight		1,564,883	1,080,482
	Technical services to farmers		9,151	15,894
	Others		15,164	79,495
			2,382,529	1,782,184

25.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs Nil (2015: Rs 14.452 million).

25.2 During the year, the Company has outsourced its marketing and distribution function. The amount represents fee for marketing and distribution services charged by an associated company Fatima Agri Sales and Services (Pvt) Limited.

	Note	2016	2015
		(Rupees in thousand)	
26 Administrative expenses			
Salaries, wages and other benefits	26.1	444,104	359,318
Travelling and conveyance		130,568	138,717
Vehicles' running and maintenance		13,405	11,909
Insurance		6,540	5,275
Communication and postage		26,891	16,464
Printing and stationery		14,779	14,341
Repair and maintenance		23,186	17,745
Rent, rates and taxes	26.2	53,612	43,580
Fees and subscription		28,096	28,870
Entertainment		12,533	5,413
Legal and Professional	26.3	54,896	61,803
Utilities		12,339	7,869
Depreciation	13.3	61,971	44,844
Amortization	14	16,346	18,382
Charity and donation	26.4	372,884	225,582
Others		36,123	20,905
		1,308,273	1,021,017

26.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 35.375 million (2015: Rs 33.527 million).

26.2 Rent, rates and taxes include operating lease rentals.

	2016	2015
	(Rupees in thousand)	
26.3 This includes auditors' remuneration as follows:		
Annual audit fee	2,750	2,500
Half yearly review fee	575	550
Other certification	295	255
Out of pocket expenses	607	535
	4,227	3,840

26.4 This includes:

- Rs 320 million (2015: 120 million) to Mian Mukhtar A. Sheikh Trust (the trust). Three directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar are trustees in the trust; and

- Rs 4.8 million (2015: Rs 9.6 million) to Lahore University of Management Sciences (LUMS). The Chief Executive of the Company, Mr. Fawad Ahmed Mukhtar is a member of the Board of Governors of National Management Foundation (NMF) - the sponsoring body of LUMS.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
27 Finance cost			
Markup on long term finances		1,510,408	2,036,691
Markup on short term finances		866,111	280,212
Interest on Worker Profit Participation Fund		9,597	–
Markup on short term deposit from subsidiary company		–	2,690
Bank charges and others		353,296	59,625
		2,739,412	2,379,218
28 Other operating expenses			
Plant and machinery written off	28.1	916,382	–
Workers' Profit Participation Fund		566,856	620,205
Workers' Welfare Fund (WWF)	28.2	(852,479)	235,678
Exchange loss - net		–	4,820
		630,759	860,703

28.1 NPK plant was purchased as part of original fertilizer complex of the Company, however its installation was deferred. As management has no plans to complete the installation and there is no other feasible use of the plant, the management has decided to write off the entire cost of the plant.

28.2 Through Finance Act, 2008 an amendment was made in section 4(5) of the Workers' Welfare Fund Ordinance 1971 (WWF Ordinance), whereby WWF liability was made applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return. In the year 2011, the Lahore High Court struck down the aforementioned amendments to the WWF Ordinance. However Sindh High Court through its order dated March 1, 2013 held that amendments made in WWF Ordinance through Finance Act, 2008 were constitutional.

During the year the Supreme Court has upheld the decision of Lahore High Court and declared the changes made in WWF Ordinance through Finance Act 2008 as ultra vires and void ab initio. The amount includes provision for the year on the basis of tax profit and reversal of excess provisioning made on the basis of accounting profit from year 2011 till 2015.

	2016	2015
	(Rupees in thousand)	
29 Other income		
Income from financial assets		
Profit on loan to related parties	399,018	315,708
Profit on short term investments and saving accounts	21,425	32,855
Exchange gain - net	63,191	–
Income from non financial assets		
Income from services	208,263	198,107
Scrap sales	2,545	12,137
Gain on disposal of property plant and equipment	732	72
Others	7,384	15,434
	702,558	574,313
30 Taxation		
Current	1,675,811	1,385,066
Deferred	168,548	909,601
	1,844,359	2,294,667

30.1 Assessments for tax years upto 2016 (Financial Year ended December 31, 2015) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

	2016	2015
	%	
30.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	31.00	32.00
Tax effect of amounts that are:		
Temporary differences	(0.72)	(0.10)
Impact of change in tax rate	(4.05)	(10.52)
Tax effect of income exempt from income tax	(8.10)	(1.56)
Tax effect of inadmissible expenses	(2.27)	0.05
	(15.14)	(12.13)
Average effective tax rate charged to profit and loss account	15.86	19.87

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:

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

		2016	2015
		(Rupees in thousand)	
Relationship with the company	**Nature of transaction**		
Subsidiary Company	Short term loan provided	1,257,165	–
	Finance Cost	–	2,690
	Other income	129,934	–
	Miscellaneous expenses	23,673	–
Associated companies	Long term loan provided	799,000	–
	Short term loan provided	691,723	500,000
	Short term loan repayment received	–	800,000
	Toll manufacturing	–	770,845
	Fee for services	329,293	–
	Miscellaneous expenses	99,721	93,942
	Sale of product	139,493	14,541
	Purchase of product	7,167	–
	Purchase of raw / packing material	861,586	746,514
	Sale of raw material	–	74,445
	Other income	269,085	315,708
	Stores and spares	9,361	–
Retirement benefit plans	Retirement benefit expense	137,724	135,477

32 Earnings per share - basic and diluted

	2016	2015
Profit attributable to ordinary shareholders	9,782,143	9,253,611
	(Number of shares)	
Weighted average number of shares	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	4.66	4.41

33 Capacity and Production

	2016	2015
	Metric ton	
Urea		
Designed production capacity	500,000	500,000
Actual production	507,161	414,122
CAN		
Designed production capacity	420,000	420,000
Actual production	471,929	402,344
NP		
Designed production capacity	360,000	360,000
Actual production	401,189	363,020

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) and Euro (EUR). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2016	2015
	(FCY in thousand)	
Cash at banks – USD	284,597	1,472
Trade and other payables – USD	(20,414,276)	(9,561)
Net exposure – USD	(20,129,679)	(8,089)
Cash at banks – EUR	605	108
Trade and other payables – EUR	(374,178)	(291)
Net exposure – EUR	(373,573)	(183)

The following significant exchange rates were applied during the year:

	2016	2015
Rupees per USD		
Average rate	104.69	102.60
Reporting date rate	104.71	104.80
Rupees per EUR		
Average rate	112.43	118.34
Reporting date rate	110.32	114.54

If the functional currency, at reporting date, had fluctuated by 5% against the USD and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 73.129 million (2015: Rs 29.545 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

(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:

	2016	2015
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	173,575	42,465
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,200,000
Short term loans	2,448,888	500,000
Short term investment	200,460	–
Financial liabilities		
Long term finance	21,860,759	19,980,243
Short term finance - secured	8,011,332	10,229,486

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 150.840 million (2015: Rs 135.865 million) respectively higher / lower.

(b) Credit risk

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

	2016	2015
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,200,000
Long term deposits	129,862	18,530
Short term loan to associated company	2,448,888	500,000
Loans, advances, deposits and other receivables	1,321,378	1,010,720
Trade Debts - Un-secured	231,744	–
Bank balances	11,098,641	293,004
	18,229,513	4,022,254

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			2016	2015
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	25,380	–
Allied Bank Limited	A1+	AA+	PACRA	2,496	1,391
Askari Bank Limited	A1+	AA+	PACRA	103,324	2,391
Bank Alfalah Limited	A1+	AA	PACRA	4,055	2,607
BankIslami Pakistan Limited	A1	A+	PACRA	31	15
Bank AL Habib Limited	A1+	AA+	PACRA	3,199	668
Citibank N.A	A-1	P-1	Moody's	302	252
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	98,070	–
Faysal Bank Limited	A1+	AA	PACRA	246,933	–
Habib Bank Limited	A-1+	AAA	JCR-VIS	129,887	3,439
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	33,775	165,335
MCB Bank Limited	A1+	AAA	PACRA	14,355	10,912
Meezan Bank Limited	A-1+	AA	JCR-VIS	218,830	1,435
National Bank of Pakistan	A1+	AAA	PACRA	1,451	3,350
NIB Bank Limited	A1+	AA-	PACRA	400	781
Soneri Bank Limited	A1+	AA-	PACRA	96	1,150
Summit Bank Limited	A-1	A-	JCR-VIS	1,972,490	69,037
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	144,740	17,646
United Bank Limited	A-1+	AAA	JCR-VIS	4,084	11,379
The Bank of Punjab	A1+	AA	PACRA	2,053	1,165
Sindh Bank Limited	A-1+	AA	JCR-VIS	13	51

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.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

(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, 2016 the Company has Rs 6,860.752 million (2015: Rs 2,295.729 million) unutilized borrowing limits from financial institutions and Rs 11,099.884 million (2015: Rs 295.203 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2016:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	21,860,759	5,518,025	16,342,734	–
Short term finance - secured	8,011,332	8,011,332	–	–
Trade and other payables	11,769,984	11,769,984	–	–
Accrued finance cost	259,420	259,420	–	–
	41,901,495	25,558,761	16,342,734	–

The following are the contractual maturities of financial liabilities as at December 31, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	19,980,243	6,375,121	13,445,310	159,812
Short term finance - secured	10,229,486	10,229,486	–	–
Trade and other payables	8,148,164	8,148,164	–	–
Accrued finance cost	260,003	260,003	–	–
	38,617,896	25,012,774	13,445,310	159,812

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.

	2016	2015
	(Rupees in thousand)	
34.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term loan to associated company	2,999,000	2,200,000
Long term deposits	129,862	18,530
Short term loan to related parties	2,448,888	500,000
Loans, advances, deposits and other receivables	1,321,378	1,010,720
Trade debts	2,115,557	335,002
Short term investment	200,460	–
Cash and bank balances	11,099,884	295,203
	20,315,029	4,359,455

	2016	2015
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term finance	21,860,759	19,980,243
Short term finance - secured	8,011,332	10,229,486
Trade and other payables	11,769,984	8,148,163
Accrued finance cost	259,420	260,003
	41,901,495	38,617,895

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 Management Personnel

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

	Chief Executive		Director		Executives	
	2016	2015	2016	2015	2016	2015
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	17,573	17,309	17,099	16,902	414,258	383,289
Housing	7,908	7,789	7,695	7,606	186,198	169,591
Utilities	–	–	–	–	41,369	37,710
Project allowance and site allowance	–	–	–	–	118,139	109,886
LFA and bonus	7,241	7,241	7,241	7,241	217,892	192,492
Others	3,068	3,151	418	789	26,832	22,702
	35,790	35,490	32,453	32,538	1,004,688	915,670
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	79,384	83,730
Accumulating compensated absences	–	–	–	–	15,464	30,101
	35,790	35,490	32,453	32,538	1,099,536	1,029,501
Number of persons	1	1	1	1	292	303

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

	2016	2015
	(Rupees in thousand)	
36 Cash generated from operations		
Profit before tax	11,626,502	11,548,278
Adjustments for :		
Depreciation on property, plant and equipment	1,794,524	1,644,612
Amortization of intangible assets	16,346	18,382
Finance cost	2,739,412	2,379,218
Provision for staff retirement benefits	86,335	93,153
Plant and machinery written off	916,382	–
Profit on short term loans to related parties	(399,018)	(315,708)
Profit on saving accounts	(21,425)	(32,855)
Gain on disposal of property, plant and equipment	(732)	(72)
	5,131,824	3,786,730
Operating cash flows before working capital changes	16,758,326	15,335,008
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stores and spares	(512,263)	(673,836)
Stock in trade	760,015	(4,321,458)
Trade debts	(1,780,555)	113,312
Loans, advances, deposits, prepayments and other receivables	(1,380,991)	(1,704,190)
Increase in creditors, accrued and other liabilities	8,887,074	998,790
	5,973,280	(5,587,382)
	22,731,606	9,747,626
37 Provident fund		
The following information is based on latest un audited financial statements of the Fund:		
Size of the fund	460,816	392,638
Cost of investment made	429,463	368,033
Fair value of investment	446,319	373,654
% age of investments made	97	94

37.1 The Breakup of cost of Investments is as follows:

	2016 Investments		2015 Investments	
	(Rupees in thousand)	%age	(Rupees in thousand)	%age
Mutual funds	136,430	32	76,431	21
Modarabas	–	–	21,773	6
Scheduled Banks	272,033	63	269,829	73
Redeemable Capital	21,000	5	–	–
	429,463	100	368,033	100

37.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

37.3 An amount of Rs 97.499 million (2015: Rs 84.716 million) has been contributed during the year to the provident fund.

	2016	2015
38 Number of employees		
Average number of employees during the year	1,763	1,730
Number of employees at end of the year	1,797	1,729

39 Reclassification

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

From	To	Reason	Rupees in thousand
Stores and spares	Capital work in progress	For better presentation	303,897
Distribution cost	Sales	For better presentation	492,623
Administrative expenses	Cost of sales	For better presentation	597,637

Notes to and forming part of the Financial Statements
for the year ended December 31, 2016

40 Non adjusting events after the balance sheet date

The Board of Directors in its Meeting held on March 16, 2017 proposed a final dividend of Rs 2 (2015: Rs Nil) per share in addition to interim dividend already paid at Rs 1.25 (2015: Rs Nil) per share for the year ended December 31, 2016, amounting to Rs 4,200 million (2015: Rs Nil), for approval of the members at the Annual General Meeting to be held on April 25, 2017.

41 Date of Authorization of Issue

These financial statements have been authorized for issue on March 16, 2017 by the Board of Directors of the Company.

42 General

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

Chief Executive **Director**

Consolidated Financial Statements

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fatima Fertilizer Company Limited (the Holding Company) and its subsidiary companies Fatimafert Limited and Bubber Sher (Private) Limited as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Fatima Fertilizer Company Limited, Fatimafert Limited (FF) and Bubber Sher (Private) Limited (BSPL). The consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Fatima Fertilizer Company Limited and its subsidiary companies as at December 31, 2016 and the results of their operations for the year then ended.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Dated: March 16, 2017
Lahore

Consolidated Balance Sheet
as at December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,500,000,000 (2015: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up capital share capital			
2,100,000,000 (2015: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	39,621,865	32,837,930
		60,621,865	53,837,930
NON CURRENT LIABILITIES			
Long term finances	7	20,808,734	17,634,124
Deferred liabilities	8	15,648,494	15,672,929
Long term deposits		60,076	42,312
		36,517,304	33,349,365
CURRENT LIABILITIES			
Trade and other payables	9	20,323,080	10,103,383
Accrued finance cost	10	397,818	389,807
Short term finances - secured	11	11,076,980	10,517,595
Current maturity of long term finances	7	5,518,025	6,812,119
		37,315,903	27,822,904
CONTINGENCIES & COMMITMENTS	12		
		134,455,072	115,010,199

The annexed explanatory notes from 1 to 41 form an integral part of these consolidated financial statements.

Chief Executive

	Note	2016	2015
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	86,938,905	87,814,273
Intangible assets	14	5,918,675	5,928,128
		92,857,580	93,742,401
Long term investments	15	85,946	85,806
Long term loan to associated company	16	2,999,000	2,200,000
Long term deposits		130,388	19,146
		96,072,914	96,047,353
CURRENT ASSETS			
Stores and spares	17	5,648,254	5,138,010
Stock in trade	18	9,310,614	7,077,536
Trade debts	19	2,716,095	525,663
Short term loans	20	1,191,723	500,000
Advances, deposits, prepayments and other receivables	21	7,731,342	4,959,017
Short term investment - available for sale		200,460	–
Cash and bank balances	22	11,583,670	762,620
		38,382,158	18,962,846
		134,455,072	115,010,199

Director

Consolidated Profit and Loss Account

for the year ended December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
Sales	23	42,395,739	32,318,145
Cost of sales	24	(23,701,282)	(14,902,428)
Gross profit		18,694,457	17,415,717
Distribution cost	25	(2,724,645)	(1,802,992)
Administrative expenses	26	(1,475,662)	(1,091,152)
		14,494,150	14,521,573
Finance cost	27	(3,236,395)	(2,625,167)
Other operating expenses	28	(630,778)	(860,703)
		10,626,977	11,035,703
Other income	29	469,482	14,131,202
Profit before tax		11,096,459	25,166,905
Taxation	30	(1,703,062)	(2,319,526)
Profit for the year		9,393,397	22,847,379
Earnings per share - basic and diluted (Rupees)	32	4.47	10.88

The annexed explanatory notes from 1 to 41 form an integral part of these consolidated financial statements.

Chief Executive

Director

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2016

	2016	2015
	(Rupees in thousand)	
Profit for the year	9,393,397	22,847,379
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of investments - available for sale	500	–
Related tax thereon	(155)	–
	345	–
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of post retirement benefits obligation	22,129	11,882
Related tax thereon	(6,936)	(3,355)
	15,193	8,527
Other comprehensive income - net of tax	15,538	8,527
Total comprehensive income for the year	9,408,935	22,855,906

The annexed explanatory notes from 1 to 41 form an integral part of these consolidated financial statements.

Chief Executive

Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2016

	Ordinary share capital	Share premium	Post retirement benefit obligation reserve	Unappropriated profit	Surplus on remeasurement of investment - available for sale	Total
	(Rupees in thousand)					
Balance as at December 31, 2014	21,000,000	1,790,000	(23,311)	13,990,335	–	36,757,024
Profit for the year	–	–	–	22,847,379	–	22,847,379
Other comprehensive income	–	–	8,527	–	–	8,527
Total comprehensive income	–	–	8,527	22,847,379	–	22,855,906
Transactions with owners:						
- Final dividend for the year ended December 31, 2014 @ Rs 2.75 per share	–	–	–	(5,775,000)	–	(5,775,000)
Balance as at December 31, 2015	21,000,000	1,790,000	(14,784)	31,062,714	–	53,837,930
Profit for the year	–	–	–	9,393,397	–	9,393,397
Other comprehensive income	–	–	15,193	–	345	15,538
Total comprehensive income	–	–	15,193	9,393,397	345	9,408,935
Transactions with owners:						
- Interim dividend for the year ended December 31, 2016 @ Rs 1.25 per share	–	–	–	(2,625,000)	–	(2,625,000)
Balance as at December 31, 2016	21,000,000	1,790,000	409	37,831,111	345	60,621,865

The annexed explanatory notes from 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Cash Flow Statement

for the year ended December 31, 2016

	Note	2016	2015
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	19,296,626	10,735,143
Net increase in long term deposits		17,764	9,309
Finance cost paid		(3,242,822)	(2,624,294)
Taxes paid		(1,247,695)	(1,190,942)
Employee retirement benefits paid		(56,077)	(27,497)
Net cash from operating activities		14,767,796	6,901,719
Cash flows from investing activities			
Additions in property, plant and equipment		(2,243,587)	(5,505,858)
Additions in intangible assets		(8,173)	(14,669)
Long term investment		(140)	(2,017,701)
Long term loan to associated company - net		(799,000)	–
Short term loan to associated company - net		(691,723)	300,000
Short term investment		(199,960)	–
Proceeds from disposal of property plant and equipment		2,463	5,011
Net increase in long term deposits		(111,242)	(5,866)
Profit received on short term loan and saving accounts		285,202	409,102
Net cash used in investing activities		(3,766,160)	(6,829,981)
Cash flows from financing activities			
Repayment of long term finance		(15,747,059)	(6,516,622)
Proceeds from long term finance		17,627,572	2,645,026
Dividend paid		(2,620,484)	(5,770,092)
Increase in short term finance - net		559,385	9,383,763
Net cash used in financing activities		(180,586)	(257,925)
Net increase / (decrease) in cash and cash equivalents		10,821,050	(186,187)
Cash and cash equivalents at the beginning of the year		762,620	948,807
Cash and cash equivalents at the end of the year		11,583,670	762,620

The annexed explanatory notes from 1 to 41 form an integral part of these consolidated financial statements.

Chief Executive

Director

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2016

1. Legal status and nature of business

Fatima Fertilizer Company Limited (Fatima / the Holding Company) and its wholly owned subsidiaries - Fatimafert Limited (FF) and Buber Sher (Private) Limited (BSPL) collectively referred to as 'the Group' were incorporated in Pakistan under the Companies Ordinance, 1984. The Holding Company is listed on Pakistan Stock Exchange. The control of FF and BSPL was transferred to the Holding Company on July 01, 2015.

The principal activity of the Holding Company and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Principal activity of BSPL is sale, marketing and distribution of fertilizers and its derivates, insecticides, pesticides, and all kinds of agricultural, fruit growing and other chemicals.

Registered offices of the Holding Company, FF and BSPL are located in Lahore, Pakistan. The manufacturing facility of the Holding Company is located at Mukhtargarh, Sadiqabad, Pakistan and that of FF is located near Chichoki Mallian at Sheikhupura Road.

2 Basis of preparation

2.1 Statement of compliance

These consolidated 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 (IFRS) 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 Amendments to published approved accounting standards that are effective for the year ended December 31, 2016

The following amendments to published approved accounting standards are effective from January 1, 2016. These amendments are, either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

– Amendments to IFRS 5 - Non current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.
– Amendments to IFRS 7 - Financial Instruments – Disclosures': Disclosure requirements for servicing arrangements on continuing involvement in transferred financial assets.
– Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures: Application of consolidation exception.
– Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisitions of an interest in a joint operation.
– Amendments to IAS 1 - Presentation of Financial Statements: Amendments resulting from the disclosure initiative.
– Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification on acceptable methods of depreciation and amortization.
– Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Bringing bearer plants in scope of IAS 16.
– Amendments to IAS 19 - Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
– Amendments to IAS 27 (Revised 2011) - Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
– Amendments to IAS 34 - Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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

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

		Effective from accounting period
–	Amendments to IFRS 2 - Share-based Payment': Clarification of the classification and measurement of share-based payment transactions.	January 01, 2018
–	Amendments to IAS 7 - Statement of Cash Flows': Amendments as result of the disclosure initiative.	January 01, 2017
–	Amendments to IAS 12 - Income Taxes': Recognition of deferred tax assets for unrealized losses.	January 01, 2017
–	Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements).	January 01, 2018
–	Amendments to IAS 40 - Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
–	IFRIC 22 - Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

3 Basis of measurement

3.1 Accounting Convention

These consolidated 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 Group'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 consolidated 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 consolidated financial statements are as follows:

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2016

a) Employee retirement benefits

The Group 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 Group 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 Group, 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 consolidated 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 consolidated 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 consolidated profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

The Group take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's view differs from the income tax department at the assessment stage and where the Group consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.2 Employee retirement benefits

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

a) Defined benefit plan - Gratuity

The Group 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, 2016. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in 'other comprehensive income' as they occur.

b) Accumulating compensated absences

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

c) Defined contribution plan - Provident Fund

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

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

4.3 Basis of consolidation

These consolidated financial statements include the financial statements of Fatima and its subsidiary companies, FF, 100% owned and BSPL, 100% owned.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These consolidated financial statements include Fatima and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

4.3.1 Business Combination

Fatima owns the 100% equity shares of the FF and BSPL. The control was transferred as on July 1st, 2015.

Intra Group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition related cost are expensed as incurred.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2016

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re measured, and its subsequent settlement is accounted for within equity.

4.4 Property, plant and equipment

Property, plant and equipment (PPE) except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to own manufactured assets includes direct cost of materials, labor and applicable manufacturing overheads. It also includes the PPE of the FF and BSPL at fair value less depreciation. Cost also includes capitalized borrowing costs as referred to in note 4.23.

Depreciation on property, plant and equipment is charged to consolidated profit and loss account on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 13.

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 Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated 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.

4.5 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.

4.6 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 charges for the month in which asset is disposed off.

4.7 Leases

The Group 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 consolidated profit and loss account on a straight line basis over the lease term.

4.8 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 re-evaluates such designation on a regular basis.

The investments made by the Group 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 Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

Acquisition under common control

Acquisition under common control of the shareholders are initially recognized using a fair value accounting basis applying the requirements of IFRS 3 "Business Combinations". All the acquisitions under common control are accounted for from the year in which the acquisition takes place without restating the Fatima (acquirer) comparative financial statements.

4.9 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group 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 consolidated profit and loss account.

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2016

4.10 Offsetting of financial assets and liabilities

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

4.11 Stores and spares

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

4.12 Stock in trade

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

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

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

4.13 Trade debts and other receivables

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

4.14 Cash and cash equivalents

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

4.15 Borrowings and their costs

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method. 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 or production of qualifying asset. Such borrowing costs if any are capitalized as part of the cost of the asset.

4.16 Related party transactions

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

4.17 Trade and other payables

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

4.18 Provisions

Provisions are recognized when the Group have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each 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.

4.19 Derivative financial instruments

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

The Group 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 Group 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 consolidated profit and loss account.

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

4.20 Impairment

Financial assets

At each balance sheet date, the Group 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 consolidated profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in consolidated profit and loss account, is removed from equity and recognized in the consolidated profit and loss account. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated 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.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2016

4.21 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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.

Subsidy income is recognized on dispatch to customers.

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

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

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

Interest income is recognized on accrual basis.

4.22 Foreign currency transactions and translation

a) Functional and presentation currency

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

4.23 Borrowing costs

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

4.24 Earnings Per Share

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

5 Issued, subscribed and paid up share capital

2016	2015		2016	2015
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000
100,000,000	100,000,000	Ordinary shares of Rs 10 each issued on conversion of fully paid preference shares @ Rs 20 each	1,000,000	1,000,000
2,100,000,000	2,100,000,000		21,000,000	21,000,000

	2016	2015
	(Rupees in thousand)	
5.1 Ordinary shares of the Holding Company held by associates at the year end are as follows:		
Arif Habib Corporation Limited	319,000,206	319,000,206
Fatima Holding Limited	270,343,091	268,572,091
Reliance Commodities (Private) Limited	209,863,694	208,863,694
Fazal Cloth Mills Limited	69,514,031	69,514,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
	871,346,188	868,575,188

	Note	2016	2015
		(Rupees in thousand)	
6 Reserves			
Capital reserves:			
Share premium		1,790,000	1,790,000
Revenue reserves:			
Unappropriated profit		37,831,111	31,062,714
Post retirement benefit obligation reserve		409	(14,784)
Surplus on remeasurement of investments - available for sale		345	–
		39,621,865	32,837,930
7 Long term finances			
Fatima Fertilizer Company Limited			
Rated, Listed and Secured Ijarah Sukuk Certificates	7.1	10,500,000	–
Secured loans from Banking companies / Financial institutions	7.2	11,360,759	19,980,243
		21,860,759	19,980,243
Less: Current maturity of long term finances		5,518,025	6,812,119
		16,342,734	13,168,124
Fatimafert Limited			
Musharaka arrangement	7.3	4,466,000	4,466,000
		20,808,734	17,634,124

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2016

	2016	2015
	(Rupees in thousand)	
7.1 Rated, listed and secured Ijarah Sukuk Certificates		
Issued during the year		
Through private placement	7,875,000	–
Through initial public offer (IPO)	2,625,000	–
	10,500,000	–
Less: Current portion	2,100,000	–
	8,400,000	–

During the year the Company has issued Ijarah Sukuk Certificates (the Certificates) amounting to Rs 10,500 million with the principal purpose to repay the outstanding balance of Senior Facility (SF) - an existing long term loan of the Company. The SF was priced at 6 months KIBOR + 2% and was due to mature in November 2018.

The Certificates having face value of Rs 5,000 each, have been issued under Private (Pre IPO) placement and IPO portion in the ratio of 75:25. The Private Placement of Rs 7,875 million was subscribed on November 28, 2016 (Ijarah Commencement Date). The subscriptions for IPO amounting to Rs 2,625 million were closed on December 29, 2016.

The tenure of the Certificates is 5 years. The redemption will be made in ten (10) equal semi-annual instalments from the Ijarah Commencement Date.

The profit is payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The first such profit payment will fall due six (6) months from the Ijarah Commencement Date and subsequently, every six months thereafter.

The Certificates are secured by pari passu charge over all present and future fixed assets of the Company.

The certificates have been rated 'AA-' (Double A Minus) by PACRA on November 11, 2016 signifying very high credit quality.

The Certificates get listed on Pakistan Stock Exchange on January 25, 2017.

	Note	2016	2015
		(Rupees in thousand)	
7.2 Secured loans from banking companies/ financial institutions			
Long Term Syndicated Loan (Senior Facility)		–	12,255,491
Syndicated Term Finance Agreement - I (STFA - I)		–	800,000
Syndicated Term Finance Agreement - II (STFA - II)	7.2.1	1,389,863	2,779,727
Syndicated Term Finance Agreement - III (STFA - III)	7.2.2	2,369,667	2,467,000
Syndicated Term Finance Agreement - IV (STFA - IV)	7.2.3	3,000,000	–
Export Credit Agency Finance	7.2.4	1,976,229	1,678,025
HBL Term Loan	7.2.5	2,625,000	–
		11,360,759	19,980,243
Less: Current portion		3,418,025	6,812,119
		7,942,734	13,168,124

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

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

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.10% to 7.52% (2015: 7.41% to 10.66%) per annum.

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

The loan is repayable in five years with one year grace period, in eight half yearly installments. Last repayment is due on November 20, 2017. During the year the Company has paid two installments aggregating to Rs 1,389.863 million (2015: Rs 1,389.863 million).

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

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

During the year the Company has received further disbursement of Rs 500 million against this facility.

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.05% to 7.57% (2015: 7.53% to 10.64%) per annum.

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

The loan is repayable in five years with one year grace period, in eight half yearly installments. Last repayment is due on October 26, 2020. During the year the Company has paid two installments aggregating to Rs 597.333 million (2015: Rs Nil).

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

This facility was obtained during the year from a consortium of commercial banks led by Allied Bank Limited, with a facility amount upto Rs 3,000 million, inclusive of green shoe option of Rs 1,000 million.

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 7.11% (2015: Nil) per annum.

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

The loan is repayable in three years including one year grace period, in four half yearly installments starting from May 28, 2018.

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7.2.4 Export Credit Agency Finance

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

During the year, the Company received disbursement of the remaining USD 5.988 million out of the total USD 22 million.

The facility carries markup rate of 3 months LIBOR plus 4.25% per annum. The effective rate of markup charged during the year ranged from 4.66% to 5.21% (2015: 4.53%) per annum.

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

This loan is repayable in twenty one equal quarterly installments with grace period of one year. Last repayment is due on June 15, 2021. During the year the Company has paid three installments aggregating to USD 3.142 million (2015: Rs Nil).

7.2.5 HBL Term Loan

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

The facility carries markup at the rate of 6 months KIBOR plus 1.25% per annum. The effective rate of markup charged during the year ranged from 7.37% to 7.40% (2015: Nil) per annum.

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

The loan is repayable in four years in eight half yearly installments. Last repayment is due on June 30, 2020. During the year the Company has paid one installments amounting to Rs 375 million (2015: Rs Nil).

7.3 Musharaka arrangement

During the previous year, the Fatimafert Limited entered into a Musharaka agreement for long term finance facility of Rs 4,466 million based on Islamic Mode of Diminishing Musharaka (Shirkat-ul-Milk) with Meezan Bank Limited acting as Investment Agent against the Musharaka Assets. The facility is for a period of 5 years, inclusive of a grace period of 2 years, while the first Musharaka buyout will become due at the end of the 30th month from the date of first drawdown i.e. March 29, 2018. The profit is payable semi-annually in arrears at the markup rate of 6 months KIBOR plus 1.5% per annum. KIBOR to be set on last working day prior to the beginning of each quarterly markup period. The finance facility is secured by all present and future movable fixed assets (excluding land and buildings) and a corporate guarantee from Fatima Fertilizer Company Limited (the Holding Company).The effective rate of markup charged during the year on Musharaka arrangements ranged from 7.56% to 8.11% (2015: 8.11% to 10.74%) per annum.

7.4 The aggregate unavailed long term financing facilities amount to Rs 33 million (2015: Rs 1,160.575 million).

		Note	2016	2015
			(Rupees in thousand)	
8	**Deferred liabilities**			
	Deferred taxation	8.1	15,210,092	15,262,064
	Employee retirement benefits	8.2	438,402	410,865
			15,648,494	15,672,929
8.1	**Deferred taxation**			
	This is composed of the following:			
	Taxable temporary difference:			
	Accelerated tax depreciation		15,507,134	15,328,178
	Remeasurement of short term Investment - available for sale		155	–
			15,507,289	15,328,178
	Deductible temporary difference:			
	Carry forward losses		(236,000)	–
	Provision for retirement benefits and others		(41,656)	(51,283)
	Remeasurement of defined benefit obligation		(19,541)	(14,831)
			(297,197)	(66,114)
			15,210,092	15,262,064
8.2	**Employee retirement benefits**			
	Gratuity	8.2.1	271,396	252,017
	Accumulating compensated absences	8.2.2	167,006	158,848
			438,402	410,865
8.2.1	**Gratuity**			
a)	**Amount recognized in the balance sheet**			
	Present value of defined benefit obligations	(f)	490,263	434,401
	Fair value of plan assets	(g)	(218,867)	(182,384)
	Net liability at the end of the year		271,396	252,017
b)	**Movement in liability**			
	Net liability at the beginning of the year		252,017	209,654
	Charge for the year	(c)	78,668	80,108
	Benefits paid during the year		(24,076)	(13,205)
	Contributions made during the year to the fund		(13,084)	(12,657)
	Remeasurement changes chargeable to other comprehensive income	(e)	(22,129)	(11,883)
	Net liability at the end of the year		271,396	252,017

Notes to and forming part of the Consolidated Financial Statements
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		2016	2015
		(Rupees in thousand)	
c)	**Charge for the year**		
	Current service cost	62,724	53,052
	Liability transferred (to) / from sister company	(5,049)	6,375
	Interest cost	20,993	20,681
		78,668	80,108
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	60,402	60,518
	Administrative expenses	17,897	18,892
	Distribution cost	369	698
		78,668	80,108
e)	**Total remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Actuarial loss from changes in financial assumptions	(983)	–
	Experience adjustments	23,299	(11,883)
	Remeasurements of fair value of plan assets	(44,445)	–
		(22,129)	(11,883)
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	434,401	373,818
	Current service cost	59,976	53,052
	Interest cost	39,039	37,932
	Liability transferred (to) / from sister company	(5,049)	6,375
	Liability transferred from workers gratuity fund	4,102	–
	Benefits due but not paid	(2,540)	(1,668)
	Benefit paid during the year	(61,982)	(25,606)
	Remeasurement of plan obligation	22,316	(9,502)
	Defined benefit obligations at end of the year	490,263	434,401
g)	**Movement in the fair value of plan assets**		
	Fair value at beginning of the year	(182,384)	(164,164)
	Remeasurements on plan assets	–	(2,381)
	Contributions made	(13,084)	(9,188)
	Interest income on planned assets	(15,298)	(17,251)
	Return on plan assets excluding interest income	(44,445)	–
	Assets to be transferred from workers gratuity fund	(4,100)	–
	Benefits due but not paid	2,540	1,668
	Benefits paid	37,904	8,932
	Fair value at end of the year	(218,867)	(182,384)

		2016	2015
h)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.0%	10.5%
	Discount rate for year end obligation	8.0%	9.0%
	Salary increase used for year end obligation	8.0%	9.0%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
		% age	(Rupees in thousand)	
i)	**Sensitivity analysis**			
	Discount rate	1	(457,627)	527,770
	Salary growth rate	1	528,438	(456,404)

j) The expected contribution to defined benefit obligation for the year ending December 31, 2017 will be Rs 75.276 million.

		2016	2015
		(Rupees in thousand)	
8.2.2	**Accumulating compensated absences**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	167,006	158,848
	Net liability at the end of the year	167,006	158,848
b)	**Movement in liability**		
	Net liability at the beginning of the year	158,848	138,685
	Charge for the year	27,075	28,626
	Benefits paid during the year	(18,917)	(8,463)
	Net liability at the end of the year	167,006	158,848
c)	**Charge for the year**		
	Current service cost	9,733	9,344
	Interest cost	10,343	14,105
	Experience adjustment	6,999	5,177
		27,075	28,626
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	20,122	21,334
	Administrative expenses	6,758	7,173
	Distribution cost	195	119
		27,075	28,626

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		2016	2015
		(Rupees in thousand)	
e)	**Movement in the present value of defined benefit obligation**		
	Defined benefit obligation at beginning of the year	158,848	138,685
	Current service cost	9,733	9,344
	Interest cost	10,343	14,105
	Benefit paid during the year	(18,917)	(8,463)
	Experience adjustment	6,999	5,177
	Defined benefit obligations at end of the year	167,006	158,848

		2016	2015
f)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.0%	10.5%
	Discount rate for year end obligation	8.0%	9.0%
	Salary increase used for year end obligation	8.0%	9.0%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
		% age	(Rupees in thousand)	
g)	**Sensitivity analysis**			
	Discount rate	1%	(172,171)	162,761
	Salary growth rate	1%	180,468	(51,699)

		Note	2016	2015
			(Rupees in thousand)	
9	**Trade and other payables**			
	Creditors	9.1	4,664,895	4,658,918
	Advances from customers		3,607,344	535,697
	Accrued liabilities		781,581	1,281,752
	Withholding tax		155,356	70,206
	Workers profit participation fund	9.2	2,796,742	2,358,026
	Workers welfare fund	9.3	112,201	1,103,249
	Retention money payable		31,168	30,531
	Provident fund payable		10,892	8,229
	Unclaimed dividend		24,150	19,634
	Over subscribed Sukuk IPO	9.4	8,092,675	–
	Others		46,076	37,141
			20,323,080	10,103,383

9.1 Deciding on the petition filed by the Company against levy of Gas Infrastructure Development Cess (GIDC), the Honorable Sindh High Court has struck down the GIDC Ordinance ab initio and has ordered the Government of Pakistan (the Government) to refund all the amounts collected under GIDC.

The Government of Pakistan (the Government) initially imposed GIDC by way of the GIDC Act, 2011 which was declared as unconstitutional and invalid by the Honorable Peshawar High Court, whose decision was upheld by the Honorable Supreme Court of Pakistan in the case of Federation of Pakistan v. Durrani Ceramics. Subsequently, the Government enacted the GIDC Ordinance, 2014 and simultaneously also filed a review petition against the Judgment of the Supreme Court of Pakistan, which was subsequently dismissed. The GIDC Ordinance, 2014 was superseded by the GIDC Act, 2015 on May 23, 2015 and the said Act has been struck down by the Honorable Sindh High Court.

The decision Honorable Sindh High Court in the Company's and related cases has been challenged by the Government before a Division Bench of the Sindh High Court. Taking a prudent approach to date the Holding Company has accrued Rs 2,240.972 million (2015: Rs 1,480.896 million) on account of GIDC on fuel stock only. However no amount has been booked for GIDC on Feed stock as the Holding Company is entitled to receive Feed stock at fixed price as committed by the Government in Fertilizer Policy 2001, while Fatimafert Limited has accrued Rs 1,277.22 million (2015: Rs 1,246.855 million) on both feed and fuel stock.

			2016	2015
			(Rupees in thousand)	
9.2	**Workers profit participation fund**			
	Balance as at December 31, 2015		2,358,026	1,954,365
	Provision for the year		566,856	620,205
	Payment made during the year		(128,140)	(216,544)
	Balance as at December 31, 2016		2,796,742	2,358,026
9.3	**Workers welfare fund**			
	Balance as at December 31, 2015		1,103,249	849,709
	Provision for the year		94,339	253,540
	Reversal of provision during the year		(946,818)	–
	Net Charge for the year	28.2	(852,479)	253,540
	Payment made during the year		(138,569)	–
	Balance as at December 31, 2016		112,201	1,103,249

9.4 The Sukuk IPO was over subscribed by almost four times. The excess money received amounting to 8,092.675 million has been refunded in January 2017.

	2016	2015
	(Rupees in thousand)	
10 Accrued finance cost		
On long term finances	203,302	275,153
On short term finances	194,516	114,654
	397,818	389,807

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	Note	2016	2015
		(Rupees in thousand)	
11 Short term finances			
Secured loans from Banking companies			
Fatima Fertilizer Company Limited			
Cash finance	11.1	3,635,400	6,954,700
Running finance	11.2	2,881,848	2,184,846
Finance against Imported Merchandise	11.3	1,494,084	1,089,940
		8,011,332	10,229,486
Fatimafert Limited			
Cash finance	11.4	2,412,918	–
Running finance	11.5	385,730	288,109
Finance against Imported Merchandise	11.6	267,000	–
		3,065,648	288,109
		11,076,980	10,517,595

11.1 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 6.36% to 7.52% (2015: 6.81% to 8.84%) per annum.

11.2 These facilities have been obtained from various banks for working capital requirements, and are secured by pari passu charge of Rs 5,334.67 million (2015: Rs 5,335.34 million) on present and future current assets.

The facilities carry markup ranging from 6.37% to 8.36% (2015: 7.50% to 10.90%) per annum.

11.3 These facilities have been obtained from various banks against imported merchandise. The facilities carry markup ranging from 6.54% to 7.59% (2015: 2.15% to 7.60%) per annum.

11.4 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods. The facilities carry markup ranging from 6.76% to 7.60% (2015:Nil) per annum.

11.5 This facility has been obtained from Habib Bank Limited (HBL) for working capital requirements, and are secured by way of hypothecation charge of Rs 613 million on all present and future current assets of the Company. The facility carry markup ranging from 7.24% to 7.52% (2015: 7.11% to 10.90%) per annum.

11.6 This facility has been obtained from a commercial bank carrying markup rate ranging from 7.22% to 7.26% (2015: Nil) per annum.

11.7 The aggregate unavailed short term borrowing facilities amount to Rs 8,842.752 million (2015: Rs 1,434.950 million).

12 Contingencies and commitments

12.1 Fatima Fertilizer Company Limited Contingencies:

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

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

(ii) The Company's stance was vindicated by Commissioner Inland Revenue Appeals [CIR(A)], as he annulled the order passed by Deputy Commissioner Inland Revenue (DCIR), Multan creating a demand of Rs 759 million along with 100% penalty by treating the stocks of finished fertilizer products transferred to Company warehouses as sales without any cogent legal grounds.

The decision has been challenged by the Department in appeal before Appellate Tribunal Inland Revenue.

(iii) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the excess input tax amounting to Rs 12.68 million in January 2012 sales tax return. The Commissioner Inland Revenue Appeals has allowed input tax to the extent of Rs 2.829 million. For the remaining amount, the Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR).

(iv) Subsequent to year end, the amounts adjudged in the following impugned orders have been paid by the Company under protest:

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

- Order passed by Deputy Commissioner Inland Revenue (DCIR), RTO Multan alleging that the Company claimed input tax amounting to Rs 154.87 million pertaining to an exempt period. Earlier appeal before Commissioner Inland Revenues (Appeals) did not succeed. The Company has challenged the decision of Commissioner Inland Revenues (Appeal) before Appellate Tribunal Inland Revenues.

- Order passed by Additional Commissioner Inland Revenue, Multan, alleging that the Company has not paid Sales tax on retail price on supplies of CAN and NP. Total demand raised is Rs 88.5 million. Earlier appeal was successfully decided in favor of Company by Appellate Tribunal Inland Revenue (ATIR). Tax department filed a reference in Lahore High Court, where the case was remanded back to Additional Commissioner Inland Revenues, Multan, who decided the case against Company. Company has filed an appeal with Commissioner Inland Revenues (Appeals).

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- Order passed by the Deputy Commissioner Inland Revenues (DCIR), RTO Multan after conducting Sales Tax audit for a period from July 2011 to June 2012, amounting to Rs 301.67 Million. The Company has preferred an appeal before Commissioner Inland Revenues (Appeals).

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

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

- Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes, amounting to Rs 113.957 million; and

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

Based on the advice of the Company's legal counsel, management is confident that no financial liability will arise in the above referred cases, therefore no provision has been recognized.

(vi) The Custom Appellate Tribunal, Lahore, has remanded back to Collector of Customs (Adjudication), Faisalabad for rehearing the case in respect of alleged irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature, amounting to Rs 495.900 million.

Based on the advice of the Company's legal counsel, management is confident that no financial liability will arise in the above referred cases, therefore no provision has been recognized.

(vii) Custom Appellate Tribunal, Lahore has passed a judgment in favour of the Company against the order passed by Collector of Customs (Adjudication), Faisalabad, alleging that the Company applied incorrect exchange rate of Rs 60.85 per USD instead of Rs 79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised was Rs 17.936 million. The Customs department has filed an appeal against of Order passed by Custom Appellate Tribunal before Lahore High Court.

Based on the advice of the Company's legal counsel, management is confident that no financial liability will arise in all the above referred case; therefore no provision has been recognized.

(viii) Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax has been introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. The Company has filed two Constitutional Petitions in the Honorable High Court of Sindh challenging the levy of ACT for Tax year 2014 and Tax year 2015, on grounds that it has deprived the Company of certain rights already accrued to it. Stay in this regard has been granted to the Company for both the tax years. The Company's petition is pending for hearing in the High Court.

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

12.2 Fatimafert Limited Contingencies:

(i) The Holding Company has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as an investment agent to guarantee up to a maximum of Rs 5,954 million relating to a Diminishing Musharaka Finance Facility of Rs 4,466 million availed by the Company.

(ii) As mentioned in note 11.1, no provision for markup on GIDC has been made in these financial statements due to the reason that the matter is pending for decision with the Honorable Sindh High Court.

(iii) Certain income tax and sales tax matters pertaining to the period of prior to acquisition are pending with tax authorities, outcome of which is uncertain. The Company is covered under Sale Purchase Agreement signed with previous owners in respect of these contingencies, therefore, these are not disclosed in these financial statements.

12.3 Fatima Fertilizer Company Limited Commitments in respect of:

(i) Contracts for capital expenditure Rs 572.861 million (2015: Rs 1,041.900 million).

(ii) Contracts for other than capital expenditure Rs 107.455 million (2015: Rs 220.344 million).

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

		2016	2015
		(Rupees in thousand)	
Not later than one year		288,876	149,948
Later than one year but not later than five years		189,670	206,211
		478,546	356,159
12.4 Fatimafert Limited Commitments in respect of			
Letters of credit for purchase of raw materials and spares		80,201	17,751
		80,201	17,751
13 Property, plant and equipment			
Operating fixed assets - tangible	13.1	84,258,748	83,429,526
Capital work in progress	13.2	2,680,157	4,384,747
		86,938,905	87,814,273

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13.1 Operating fixed assets - tangible

2016

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2015	Additions/ (deletions)	December 31, 2016	December 31, 2015	charge/ (deletions)	December 31, 2016	December 31, 2016	rate
	(Rupees in thousand)							%
Freehold land	1,599,069	–	1,599,069	–	–	–	1,599,069	–
Building	4,361,845	79,487	4,441,332	576,167	176,299	752,466	3,688,866	4 - 5
Plant and machinery	83,206,442	2,697,859	85,904,301	5,959,499	1,710,017	7,669,516	78,234,785	4 - 7.5
Furniture and fixtures	79,557	10,532	90,029	31,940	8,697	40,584	49,445	10
		(60)			(53)			
Office equipment	42,104	5,892	47,956	12,554	6,344	18,858	29,098	10 - 12.5
		(40)			(40)			
Electrical installations and appliances	885,795	60,549	946,344	390,911	92,790	483,701	462,643	10
Computers	253,583	40,497	291,287	120,828	54,390	172,565	118,722	25 - 33.33
		(2,793)			(2,653)			
Vehicles	243,779	19,607	257,768	150,749	35,896	181,648	76,120	20
		(5,618)			(4,997)			
	90,672,174	2,914,423	93,578,086	7,242,648	2,084,433	9,319,338	84,258,748	
		(8,511)			(7,743)			

2015

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2014	Additions/ (deletions)	December 31, 2015	December 31, 2014	charge/ (deletions)	December 31, 2015	December 31, 2015	rate
	(Rupees in thousand)							%
Freehold land	435,069	1,164,000	1,599,069	–	–	–	1,599,069	–
Building	3,412,980	948,865	4,361,845	423,388	152,779	576,167	3,785,678	4 - 5
Plant and machinery	66,342,550	16,863,892	83,206,442	4,493,542	1,465,957	5,959,499	77,246,943	4 - 7.5
Furniture and fixtures	67,981	11,576	79,557	24,370	7,570	31,940	47,617	10
Office equipment	27,314	14,790	42,104	8,273	4,281	12,554	29,550	10 - 12.5
Electrical installations and appliances	772,660	113,135	885,795	306,977	83,934	390,911	494,884	10
Computers	138,503	116,274	253,583	83,374	38,464	120,828	132,755	25 - 33.33
		(1,194)			(1,010)			
Vehicles	209,616	42,406	243,779	121,523	37,011	150,749	93,030	20
		(8,242)			(7,785)			
	71,406,673	19,274,938	90,672,174	5,461,447	1,789,996	7,242,648	83,429,526	
		(9,436)			(8,795)			

	Note	2016	2015
		(Rupees in thousand)	
13.2 Capital work in progress			
Civil works		654,843	453,281
Plant and machinery		852,021	2,315,720
Capital stores		528,349	516,891
Advances			
- Freehold land		159,758	159,758
- Civil works		4,328	4,832
- Plant and machinery		180,858	634,265
- Other advances		300,000	300,000
		644,944	1,098,855
		2,680,157	4,384,747
13.2.1 Movement of capital work in progress			
Opening balance		4,384,747	2,877,944
Addition during the year		1,959,725	5,761,339
		6,344,472	8,639,283
Capitalization during the year		(2,613,512)	(4,254,536)
Plant and machinery written off	28.1	(916,382)	–
Steam/gas turbines disposed off	29.1	(131,813)	–
Provision for obsolescence for Capital Stores		(2,608)	–
Closing balance		2,680,157	4,384,747
13.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales		2,014,689	1,740,163
Administrative expenses		66,258	46,463
Distribution Cost		3,486	3,370
		2,084,433	1,789,996

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13.4 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal
			(Rupees in thousand)			
Computers						
Items having book value below Rs 50,000	2,793	2,653	140	391	251	Various
Items having book value exceeding Rs 50,000						
Vehicles						
Items having book value below Rs 50,000	570	570	–	525	525	
Items having book value exceeding Rs 50,000	5,048	4,427	621	1,516	895	
Various						
Items having book value below Rs 50,000	100	93	7	31	24	
2016	8,511	7,743	768	2,463	1,695	
Computers						
Items having book value below Rs 50,000	612	553	59	131	72	By policy to existing employees
Items having book value exceeding Rs 50,000	148	37	111	122	11	
Vehicles						
Items having book value exceeding Rs 50,000	1,003	619	384	539	155	
Various						
Items having book value below Rs 50,000	7,673	7,586	87	4,220	4,133	Various
2015	9,436	8,795	641	5,012	4,371	

14 Intangible assets

2016

	Cost			Accumulated amortization			Book value	Amortization
	December 31, 2015	Additions	December 31, 2016	December 31, 2015	Charge / (deletion)	December 31, 2016	December 31, 2016	rate
				(Rupees in thousand)				%
Bubber Sher Brand	5,900,000	–	5,900,000	–	–	–	5,900,000	–
Computer software	77,442	8,173	85,615	49,314	17,626	66,940	18,675	25
	5,977,442	8,173	5,985,615	49,314	17,626	66,940	5,918,675	

2015

	Cost			Accumulated amortization			Book value	Amortization
	December 31, 2014	Additions	December 31, 2015	December 31, 2014	Charge / (deletion)	December 31, 2015	December 31, 2015	rate
				(Rupees in thousand)				%
Bubber Sher Brand	–	5,900,000	5,900,000	–	–	–	5,900,000	–
Computer software	60,394	17,048	77,442	30,311	19,003	49,314	28,128	25
	60,394	5,917,048	5,977,442	30,311	19,003	49,314	5,928,128	

		2016	2015
		(Rupees in thousand)	
15 Long term investment			
Investment in associated companies - at cost			
Multan Real Estate Company (Pvt) Limited	15.1	85,806	85,806
Fatima Electric Company Limited	15.2	140	–
Singfert PTE. Ltd.	15.3	–	–
		85,946	85,806

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

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

15.2 This represents investment in 14,000 fully paid ordinary shares of Rs 10 each of Fatima Electric Company Limited (FECL). The investment represents 40% of the total issued, subscribed and paid up share capital of FECL.

The main business of FECL is transmission, manufacture, supply, generation and distribution of electricity and all forms of energy and power.

15.3 This represents investment in 1 fully paid ordinary share of SGD 1 of Singfert PTE. Ltd. (Singfert) a company formed and registered in the Republic of Singapore. The investment represents 25% of the total issued, subscribed and paid up share capital of Singfert.

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

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for the year ended December 31, 2016

16 Long term loan to associated Company

This represents loan given to the Pakarab Fertilizers Limited, an associated company, as approved in the Extra Ordinary General Meeting of the Company held on December 23, 2016. As per the revised terms of the agreement, the nature of existing Rs 3 billion loan has been changed from renewable limit in the nature of running finance facility for period(s) of one year to a long term loan for a 5 year period with two and a half years grace period. The loan is receivable in 6 semiannual installments for principal. Interest to be settled semi annually.

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.27% to 8.63% (2015: 8.63% to 11.75%) per annum.

The loan is fully secured against ranking charge on all present and future fixed assets of the associated company.

	Note	2016	2015
		(Rupees in thousand)	
17 Stores and spares			
Stores		496,969	467,589
Spares		4,407,714	3,844,070
Catalyst and chemicals		883,200	954,831
		5,787,883	5,266,490
Provision for obsolete items	17.1	(139,629)	(128,480)
		5,648,254	5,138,010
17.1 Movement of provision for obsolete items:			
Opening balance		128,480	118,338
Provision charged		11,149	15,069
Provision charged to capital spares		–	(4,927)
		11,149	10,142
Closing balance		139,629	128,480
18 Stock in trade			
Raw material {including in-transit Rs 886.215 million (2015: Rs 1,670.775 million)}		1,692,184	2,766,315
Packing material		13,174	25,061
Mid Products			
Ammonia		95,583	71,975
Nitric Acid		4,507	5,264
Others		369	287
		100,459	77,526
Finished goods			
- own manufactured			
Urea		4,540,776	838,761
NP		1,405,781	2,495,358
CAN		1,193,754	817,676
Emission reductions		68,687	56,839
		7,208,998	4,208,634
- purchased for resale			
DAP		295,799	–
		9,310,614	7,077,536

	2016	2015
	(Rupees in thousand)	
19 Trade debts		
Secured by bank guarantees	2,484,351	525,663
Unsecured - considered good	231,744	–
	2,716,095	525,663

20 Short term loan

This represents loan given to Reliance commodities (Pvt) limited as per the terms of the agreement dated April 30, 2015. At the Extra Ordinary General Meeting of the Company held on December 23, 2016 the amount of loan has been enhanced from Rs 500 million to an aggregate amount of Rs 1,250 million. The loan is repayable within 30 business days notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.17% to 8.59% (2015: 8.59% to 9.51%) per annum. The loan is fully secured against a ranking charge over the present and future current assets of the associated company.

	Note	2016	2015
		(Rupees in thousand)	
21 Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		21,929	35,972
- to suppliers		393,379	348,897
		415,308	384,869
Margin deposits held by banks		88,099	93,538
Prepayments		57,135	42,773
Advance income tax paid		1,319,224	1,972,220
Receivable from Government of Pakistan			
- Advance sales tax paid		2,378,332	1,132,726
- Subsidy receivable		1,984,598	368,226
		4,362,930	1,500,952
Advance sales tax on receipts		142,023	28,503
Markup receivable		122,749	117,359
Others	21.1	1,223,874	818,803
		7,731,342	4,959,017

21.1 This includes amounts due from related parties amounting to Rs 67.328 million (2015: Rs 116.630 million).

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		Note	2016	2015
			(Rupees in thousand)	
22	**Cash and bank balances**			
	At banks			
	- saving accounts	22.1	534,864	502,035
	- current accounts	22.2	11,047,284	258,030
	Cash in hand		1,522	2,555
			11,583,670	762,620

22.1 The balances in saving accounts carry markup ranging from 3.75% to 5.75% (2015: 4% to 9%) per annum.

22.2 This includes Rs 8,092.675 million received as over subscribed amount on Sukuk IPO. The amount has been refunded to unsuccessful applicants in January 2017.

		Note	2016	2015
			(Rupees in thousand)	
23	**Sales**			
	Fertilizer Products			
	- own manufactured		38,433,298	32,085,094
	- purchased for resale		972,109	–
	Subsidy from Government of Pakistan	23.2	3,809,346	368,226
	Mid products		616,842	352,224
	Certified Emission Reductions		–	14,406
			43,831,595	32,819,950
	Discounts		(1,435,856)	(501,805)
			42,395,739	32,318,145

23.1 Sales are exclusive of sales tax of Rs 5,819.669 million (2015: Rs 5,846.137 million).

23.2 This represents:

- subsidy on sale of phosphatic fertilizers announced by Ministry of Food Security and Research, Government of Pakistan under "Support package for fertilizer sector" of Rs 20 billion, on October 15, 2015. The said scheme was discontinued on May 27, 2016; and

- subsidy on sale of fertilizers announced in Federal Budget 2016-17 by the Government of Pakistan.

		Note	2016	2015
			(Rupees in thousand)	
24	**Cost of sales**			
	Raw material consumed		13,032,917	7,398,659
	Packing material consumed		1,016,845	749,563
	Salaries, wages and other benefits	24.1	2,559,179	2,135,069
	Fuel and power		4,985,225	3,949,097
	Chemicals and catalyst consumed		494,261	415,934
	Stores and spares consumed		754,261	1,188,709
	Technical assistance		78,738	111,504
	Repair and maintenance		311,954	337,374
	Insurance		213,775	312,116
	Travelling and conveyance		130,422	119,738
	Equipment rental		55,463	95,808
	Vehicle running and maintenance		51,279	59,142
	Depreciation	13.3	2,014,689	1,740,163
	Others		134,585	132,624
	Manufacturing cost		25,833,593	18,745,500
	Opening stock of mid products		77,526	97,768
	Closing stock of mid products		(100,459)	(77,526)
	Cost of goods manufactured		25,810,660	18,765,742
	Opening stock of finished goods		4,208,634	345,320
	Closing stock of finished goods		(7,208,998)	(4,208,634)
	Cost of sales - own manufactured		22,810,296	14,902,428
	Cost of sales - purchased for resale		890,986	–
			23,701,282	14,902,428

24.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 134.682 million (2015: Rs 118.012 million).

		Note	2016	2015
			(Rupees in thousand)	
25	**Distribution cost**			
	Salaries, wages and other benefits	25.1	110,348	250,212
	Fee for services	25.2	351,040	–
	Rent, rates and taxes		220,067	74,707
	Advertisement and sales promotion		187,793	287,338
	Transportation and freight		1,829,657	1,095,170
	Technical services to farmers		9,151	15,894
	Others		16,589	79,671
			2,724,645	1,802,992

25.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 0.784 million (2015: Rs 14.965 million).

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25.2 During the year, the Group has outsourced its marketing and distribution function. The amount represents fee for marketing and distribution services charged by an associated company Fatima Agri Sales and Services (Pvt) Limited.

	Note	2016	2015
		(Rupees in thousand)	
26 Administrative expenses			
Salaries, wages and other benefits	26.1	538,869	395,905
Travelling and conveyance		135,547	137,185
Vehicles' running and maintenance		16,450	16,424
Insurance		6,837	5,536
Communication and postage		30,925	12,948
Printing and stationery		17,998	15,355
Repair and maintenance		35,531	17,950
Rent, rates and taxes	26.2	65,229	47,423
Fees and subscription		28,624	36,355
Entertainment		12,988	8,327
Legal and Professional	26.3	74,477	68,738
Utilities		16,597	16,411
Depreciation	13.3	66,258	46,463
Amortization	14.0	17,627	19,003
Charity and donation	26.4	372,910	225,717
Others		38,795	21,412
		1,475,662	1,091,152

26.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 40.767 million (2015: Rs 36.508 million).

26.2 Rent, rates and taxes include operating lease rentals.

	2016	2015
	(Rupees in thousand)	
26.3 This includes auditors' remuneration as follows:		
Annual audit fee	4,313	2,600
Half yearly review fee	575	550
Other certification	295	255
Out of pocket expenses	946	535
	6,129	3,940

26.4 This includes:

– Rs 320 million (2015: 120 million) to Mian Mukhtar A. Sheikh Trust (the trust). Three directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar are trustees in the trust; and

– Rs 4.8 million (2015: Rs 9.6 million) to Lahore University of Management Sciences (LUMS). The Chief Executive of the Company, Mr. Fawad Ahmed Mukhtar is a member of the Board of Governors of National Management Foundation (NMF) - the sponsoring body of LUMS.

		Note	2016	2015
			(Rupees in thousand)	
27	**Finance cost**			
	Markup on long term finances		1,861,754	2,217,536
	Markup on short term finances		993,603	301,946
	Interest on Worker Profit Participation Fund		9,597	–
	Bank charges and others		371,441	105,685
			3,236,395	2,625,167
28	**Other operating expenses**			
	Plant and machinery written off	28.1	916,382	–
	Workers' Profit Participation Fund		566,856	620,205
	Workers' Welfare Fund	28.2	(852,479)	235,678
	Exchange loss - net		19	4,820
			630,778	860,703

28.1 NPK plant was purchased as part of original fertilizer complex of the Company, however its installation was deferred. As management has no plans to complete the installation and there is no other feasible use of the plant, the management has decided to write off the entire cost of the plant.

28.2 Through Finance Act, 2008 an amendment was made in section 4(5) of the Worker's Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby Worker's Welfare Fund liability was made applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return. In the year 2011, the Lahore High Court struck down the aforementioned amendments to the WWF Ordinance. However Sindh High Court through its order dated March 1, 2013 held that amendments made in WWF Ordinance through Finance Act, 2008 were constitutional.

During the year the Supreme Court has upheld the decision of Lahore High Court and declared the changes made in WWF Ordinance through Finance Act 2008 as ultra vires and void ab initio. The amount includes provision for the year on the basis of tax profit and reversal of excess provisioning made on the basis of accounting profit from year 2011 till 2015.

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		Note	2016	2015
			(Rupees in thousand)	
29	**Other income**			
	Income from financial assets			
	Profit on loan to related parties		269,085	315,708
	Profit on short term investments and saving accounts		21,507	33,005
	Exchange gain - net		63,191	–
	Income from assets other than financial assets			
	Bargain purchase gain	29.1	(131,810)	13,523,737
	Income from services		208,263	225,216
	Rental income		15,169	7,899
	Scrap sales		2,545	12,137
	Gain on disposal of property plant and equipment		1,695	4,371
	Others		19,837	9,129
			469,482	14,131,202

29.1 Bargain purchase gain realized on acquisition of Fatimafert Limited (formerly DH Fertilizers Limited) has been adjusted by Rs 131.810 million to reflect the value of steam / gas turbines transferred as part of the acquisition transaction.

		2016	2015
		(Rupees in thousand)	
30	**Taxation**		
	Current	1,762,122	1,405,988
	Deferred	(59,060)	913,538
		1,703,062	2,319,526

31 Transactions with related parties

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

Relationship with the Group	Nature of transaction	2016 (Rupees in thousand)	2015 (Rupees in thousand)
Associated companies	Long term loan provided	799,000	–
	Short term loan provided	691,723	500,000
	Short term loan repayment received	–	800,000
	Toll manufacturing	–	770,845
	Fee for services	407,205	–
	Miscellaneous expenses	108,044	93,942
	Sale of product	139,493	14,541
	Purchase of product	7,167	–
	Purchase of raw / packing material	985,078	775,384
	Sale of raw material	–	74,445
	Other income	269,085	315,708
	Stores and spares	9,361	
Retirement benefit plans	Retirement benefit expense	174,577	155,619

32 Earnings per share - basic and diluted

	2016	2015
Profit attributable to ordinary shareholders	9,393,397	22,847,379
	(Number of shares)	
Weighted average number of shares	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	4.47	10.88

33 Capacity and Production

	2016 Metric ton	2015 Metric ton
Urea		
Designed production capacity	945,500	722,750
Actual production	867,096	479,520
CAN		
Designed production capacity	420,000	420,000
Actual production	471,929	402,344
NP		
Designed production capacity	360,000	360,000
Actual production	401,189	363,020

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34 FINANCIAL RISK MANAGEMENT

34.1 Financial risk factors

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

	2016	2015
	(FCY in thousand)	
Cash at banks – USD	284,606	1,481
Trade and other payables – USD	(20,414,276)	(9,908)
Net exposure – USD	(20,129,670)	(8,427)
Cash at banks – EUR	605	108
Trade and other payables – EUR	(374,178)	(291)
Net exposure – EUR	(373,573)	(183)

The following significant exchange rates were applied during the year:

	2016	2015
Rupees per USD		
Average rate	104.69	102.60
Reporting date rate	104.71	104.80
Rupees per EUR		
Average rate	112.43	118.34
Reporting date rate	110.32	114.54

If the functional currency, at reporting date, had fluctuated by 5% against the USD and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 73.179 million (2015: Rs 29.641 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

	2016	2015
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	534,864	502,035
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,200,000
Short term loan to associated company	1,191,723	500,000
Short term investment - available for sale	200,460	–
Financial liabilities		
Long term finances	26,326,759	24,446,243
Short term finances - secured	11,076,980	10,517,595

Fair value sensitivity analysis for fixed rate instruments

The Group 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 consolidated profit and loss account of the Group.

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 181.655 million (2015: Rs 169.176 million) respectively higher / lower.

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(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:

	2016	2015
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,200,000
Long term deposits	130,388	19,146
Short term loan to associated company	1,191,723	500,000
Loans, advances, deposits and other receivables	1,434,722	1,029,700
Trade debts - unsecured	231,744	–
Bank balances	11,582,148	760,065
	17,569,725	4,508,911

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			2016	2015
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	25,380	–
Allied Bank Limited	A1+	AA+	PACRA	2,669	1,567
Askari Bank Limited	A1+	AA+	PACRA	103,324	2,391
Bank Alfalah Limited	A1+	AA	PACRA	4,768	2,607
BankIslami Pakistan Limited	A1	A+	PACRA	31	15
Bank AL Habib Limited	A1+	AA+	PACRA	10,188	668
Citibank N.A	A-1	P-1	Moody's	302	252
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	98,070	–
Faysal Bank Limited	A1+	AA	PACRA	246,933	–
Habib Bank Limited	A-1+	AAA	JCR-VIS	598,303	669,880
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	33,896	165,436
MCB Bank Limited	A1+	AAA	PACRA	15,303	10,977
Meezan Bank Limited	A-1+	AA	JCR-VIS	219,067	1,713
National Bank of Pakistan	A1+	AAA	PACRA	5,144	3,350
NIB Bank Limited	A1+	AA-	PACRA	400	781
Soneri Bank Limited	A1+	AA-	PACRA	96	1,150
Summit Bank Limited	A-1	A-	JCR-VIS	1,974,595	69,037
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	144,740	17,646
United Bank Limited	A-1+	AAA	JCR-VIS	4,084	11,379
The Bank of Punjab	A1+	AA	PACRA	2,053	1,165
Sindh Bank Limited	A-1+	AA	JCR-VIS	131	51

Due to the Group'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 Group. 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 Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2016 the Group has Rs 8,875.752 million (2015: Rs 2,295.729 million) unutilized borrowing limits from financial institutions and Rs 11,583.670 million (2015: Rs 762.620 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2016:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	26,326,759	5,518,025	20,808,734	–
Short term finance - secured	11,076,980	11,076,980	–	–
Trade and other payables	13,651,437	13,651,437	–	–
Accrued finance cost	397,818	397,818	–	–
	51,452,994	30,644,260	20,808,734	–

The following are the contractual maturities of financial liabilities as at December 31, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	24,446,243	6,375,121	17,911,310	159,812
Short term finance - secured	10,517,595	10,517,595	–	–
Trade and other payables	6,036,205	6,036,205	–	–
Accrued finance cost	389,807	389,807	–	–
	41,389,850	23,318,728	17,911,310	159,812

34.2 Fair values of financial assets and liabilities

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

	2016	2015
	(Rupees in thousand)	
34.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term loan to associated company	2,999,000	2,200,000
Long term deposits	130,388	19,146
Short term loan to associated companies	1,191,723	500,000
Loans, advances, deposits and other receivables	1,434,722	1,029,700
Trade debts	2,716,095	525,663
Short term investment	200,460	–
Cash and bank balances	11,583,670	762,620
	20,256,058	5,037,129

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2016

	2016	2015
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term finance	26,326,759	24,446,243
Short term finance - secured	11,076,980	10,517,595
Trade and other payables	13,651,437	6,036,205
Accrued finance cost	397,818	389,807
	51,452,994	41,389,850

34.4 Capital risk management

The Group's objectives when managing capital are to safeguard Group'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 Group monitors the capital structure on the basis of debt to equity ratio.

The Group 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 Group may, for example, issue new ordinary / preference shares, or obtain / repay loans.

35 Remuneration of Directors and 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:

	Chief Executive		Director		Executives	
	2016	2015	2016	2015	2016	2015
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	17,573	17,309	17,099	16,902	591,651	448,711
Housing	7,908	7,789	7,695	7,606	222,799	191,543
Utilities	–	–	–	–	59,108	40,166
Project allowance and site allowance	–	–	–	–	118,139	109,886
LFA and bonus	7,241	7,241	7,241	7,241	217,892	202,442
Others	3,068	3,151	418	789	31,387	37,432
	35,790	35,490	32,453	32,538	1,240,976	1,030,180
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	100,869	98,700
Accumulating compensated absences	–	–	–	–	15,464	29,263
	35,790	35,490	32,453	32,538	1,357,309	1,158,143
Number of persons	1	1	1	1	395	401

	2016	2015
	(Rupees in thousand)	
36 Cash generated from operations		
Profit before tax	11,096,459	25,166,905
Adjustments for:		
Depreciation on property, plant and equipment	2,084,433	1,789,996
Amortization of intangible assets	17,626	19,003
Finance cost	3,236,395	2,625,167
Provision for staff retirement benefits	105,743	100,855
Plant and machinery written off	916,382	–
Profit on loan to related parties	(269,085)	(315,708)
Profit on saving accounts	(21,507)	(33,005)
Bargain purchase gain	131,810	(13,523,737)
Gain on disposal of property plant and equipment	(1,695)	(4,371)
	6,200,102	(9,341,800)
Operating cash flows before working capital changes	17,296,561	15,825,105
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(510,244)	(639,183)
Stock in trade	(2,233,078)	(4,320,430)
Trade debts	(2,190,432)	(77,172)
Loans, advances, deposits, prepayments and other receivables	(3,419,931)	(1,776,382)
Increase in creditors, accrued and other liabilities	10,353,750	1,723,205
	2,000,065	(5,089,962)
	19,296,626	10,735,143
37 Provident fund		
The following information is based on latest un-audited financial statements of the Fund:		
Size of the fund	1,309,344	1,258,139
Cost of investment made	1,185,999	1,087,033
Fair value of investment made	1,260,880	1,229,109
% of investments made	91	86

37.1 The Breakup of cost of Investments is as follows:

	2016 Investments		2015 Investments	
	(Rupees in thousand)	%age	(Rupees in thousand)	%age
Mutual Funds	524,430	44%	321,515	30%
Modarabas	–	–	21,773	2%
Scheduled Banks	640,569	54%	743,745	68%
Redeemable Capital	21,000	2%	–	–

37.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2016	2015
38 Number of employees		
Average number of employees during the year	2,136	2,104
Number of employees at end of the year	2,168	2,084

39 Non adjusting events after the consolidated balance sheet date

The Board of Directors of the Holding Company in its Meeting held on March 16, 2017 proposed a final dividend of Rs 2 (2015: Rs Nil) per share in addition to interim dividend already paid at Rs 1.25 (2015: Rs Nil) per share for the year ended December 31, 2016, amounting to Rs 4,200 million (2015: Rs Nil), for approval of the members at the Annual General Meeting to be held on April 25, 2017.

40 Date of Authorization of Issue

These consolidated financial statements have been authorized for issue on March 16, 2017 by the Board of Directors of the Holding Company.

41 General

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

Chief Executive **Director**

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

Item 6 of the Agenda:

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

Directors

1) Mr. Fawad Ahmed Mukhtar

2) Mr. Fazal Ahmed Sheikh

3) Mr. Faisal Ahmed Mukhtar

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

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

Sr. No.	Description	Information Required
(i)	Name of investee company or associated undertaking along with criteria based on which the associated relationship is established	Reliance Commodities (Pvt) Limited (RCL) due to common directorship by the following: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(ii)	Amount of Loans or Advances	Rs 1,250 Million
(iii)	Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances	To continue investment of Company's funds at attractive rate of markup
(iv)	In case any Loan has already been granted to the said associated company or associated undertaking, the complete details thereof	Loan of an aggregate amount of up to Rs 500 million in the nature of renewable running finance facility was given pursuant to special resolution of the Company passed on April 30, 2015. The Loan amount was enhanced up to Rs 1,250 million pursuant to special resolution of the Company passed on December 23, 2016. It is being charged at the markup rate of 6M KIBOR + 2.12 but not less than the borrowing cost of Fatima and to be repaid within 30 days of the notice of demand. The Company is now seeking approval for renewal of this running finance facility for further period of one year.
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	As per the audited Financial Statements for the year ended June 30, 2016 Rs in Million Authorized Capital 100 Paid up capital and reserves 1,260 Surplus on revaluation of Property, plant and equipment 188 Non Current Liabilities 1.237 Current Liabilities 1,893 Current Assets 2,963 Non Current Assets 380 Revenue 759 Gross Profit 121 Finance Cost 103 Profit After Tax 78.7
(vi)	Average borrowing cost of the investing company	7.38%
(vii)	Rate of interest, markup, profit, fees or commission etc. to be charged	6M KIBOR+2.12 but not less than the borrowing cost of Fatima

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

Sr. No.	Description	Information Required
(viii)	Sources of funds from where loans or advances will be given	Already given/Own sources of the Company
(ix)	Where loans or advances are being granted using borrowed funds: 1. Justification for granting loan or advance out of borrowed funds; 2. Detail of guarantees/ assets pledged for obtaining such funds, if any; 3. Repayment schedules of borrowing of the investing company	Not applicable
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Security for the loan was previously obtained in the form of a charge over present and future currents assets. This charge shall be vacated on the repayment of the entirety of the loan
(xi)	If the loans or advances carry conversion feature	None
(xii)	Repayment schedule and terms of loans or advances to be given to the investee company	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.
(xiii)	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Agreement: 1. The parties agree to extend the repayment period of the Running Finance Facility to be repaid within 30 days of the notice of demand for further period of one year. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year. . 2. Markup will be charged on the Loan at the rate of 6M KIBOR+2.12 but not less than the borrowing cost of Fatima. Markup is payable on quarterly basis 3. On repayment of the Loan, the charge over the current assets of investee company is to be vacated
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: Directors 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(xv)	Any other important details necessary for the members to understand the transaction	None
(xvi)	In case of investment in a project of an associated company or associated undertaking that has not commenced operations: 1. Description of the project and its history since conceptualization; 2. Starting date and expected dated of completion; 3. Time by which such project shall become commercially operational; 4. Expected return on total capital employed in the project; 5. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not applicable

Item 7 of the Agenda:

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

Directors

1) Mr. Fawad Ahmed Mukhtar

2) Mr. Fazal Ahmed Sheikh

3) Mr. Faisal Ahmed Mukhtar

4) Mr. M. Abad Khan

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

Sr. No.	Description	Information Required
(i)	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Fatima Electric Company Limited (FECL) due to common directorship by the following: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar 4) Mr. M. Abad Khan
(ii)	Purpose, benefits and period of investment	To make equity contribution in Fatima Electric Company Limited to meet its preliminary expenses and subsequently to undertake suitable Energy / Power sector projects to be announced by the Government of Pakistan. Benefits and period of investment to be determined after firm allocation of any project to Fatima Electric Company Limited.
(iii)	Maximum amount of investment	Rs 140,000
(iv)	Maximum price at which securities will be acquired	Face Value i.e. Rs 10/-
(v)	Maximum number of securities to be acquired	14,000 shares of Rs 10/- each
(vi)	Number of securities and percentage thereof held before and after the proposed investment	- Before proposed investment : NIL - After proposed investment : 40%
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Not applicable
(viii)	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	FECL was formed as a Special Purpose Entity (SPE) to undertake a power project as a requirement by Private Power & Infrastructure Board (PPIB) while bidding for a project. Currently FECL has no assets and liabilities
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	FECL was formed as a Special Purpose Entity (SPE) to undertake a power project as a requirement by Private Power & Infrastructure Board (PPIB) while bidding for a project. Currently FECL has no assets and liabilities
(x)	Earning per share of the associated company or associated undertaking for the last three years	FECL was formed as a Special Purpose Entity (SPE) to undertake a power project as a requirement by Private Power & Infrastructure Board (PPIB) while bidding for a project. Currently FECL has no assets and liabilities
(xi)	Sources of fund from which securities will be acquired	From own sources of the Company

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

Sr. No.	Description	Information Required
(xii)	Where the securities are intended to be acquired using borrowed funds (I) Justification for investment through borrowings; (II) Detail of guarantees and assets pledged for obtaining such funds;	Not applicable
(xiii)	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	None
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following Directors of the Company are also Directors in Fatima Electric Company Limited: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar 4) Mr. M. Abad Khan The directors have no other direct or indirect interest in the investee company except to the extent of their directorship / shareholding in the associated company.
(xv)	Any other important details necessary for the members to understand the transaction	None
(xvi)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: (I) Description of the project and its history since conceptualization; (II) Starting and expected dated of completion of work; (III) Time by which such project shall become commercially operational; (IV) Expected time by which the project shall start paying return on investment;	Currently FECL is engaged in pre bidding process of some power projects but none has been awarded to it by the Government of Pakistan yet.

Pattern of Shareholding

as at December 31, 2016

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	627,832,576	29.90
Associated Companies, Undertakings and Related Parties	871,346,188	41.49
Sponsors	261,895,114	12.47
Executive	1,166,118	0.06
Public Sector Companies and Corporations	7,482,428	0.36
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	111,251,953	5.30
Mutual Funds	7,490,996	0.36
General Public		
a. Local	73,306,460	3.49
b. Foreign	707,987	0.03
Foreign Companies	12,848,848	0.61
Others	124,671,332	5.94
TOTAL	**2,100,000,000**	**100.00**

Disclosure Requirement under the Code of Corporate Governance

Detail of holding as on December 31, 2016	Shares Held	Percentage
1 Associated Companies, Undertakings and Related Parties		
ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
FATIMA HOLDING LIMITED	270,343,091	12.87
FAZAL CLOTH MILLS LIMITED	69,514,031	3.31
RELIANCE COMMODITIES (PVT) LIMITED	209,863,694	9.99
RELIANCE WEAVING MILLS LTD	2,625,166	0.13
2 Directors, CEO and their Spouse and Minor Children		
ARIF HABIB	159,275,960	7.58
ZETUN ARIF	23,619,848	1.12
FAWAD AHMED MUKHTAR	80,421,389	3.83
FAISAL AHMED MUKHTAR	131,453,979	6.26
AMBREEN FAWAD	15,473,526	0.74
MERAJ FATIMA	14,240,853	0.68
MOHID MUHAMMAD AHMED	5,942,301	0.28
FARAH FAISAL	56,250	0.00
MOHAMMAD ABAD KHAN	754,500	0.04
FAZAL AHMED SHEIKH	100,537,205	4.79
FATIMA FAZAL	70,311	0.00
MUHAMMAD MUKHTAR SHEIKH	24,364,809	1.16
MOHAMMAD KASHIF	47,251,837	2.25
ASAD MUHAMMAD SHEIKH	24,364,808	1.16
PETER VANG CHRISTENSEN	5,000	0.00
3 Sponsors	261,895,114	12.47
4 Executives	1,166,118	0.06
5 Public Sector Companies and Corporations	7,482,428	0.36
6 Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	111,251,953	5.30

Pattern of Shareholding

as at December 31, 2016

Detail of holding as on December 31, 2016	Shares Held	Percentage
7 Mutual Funds		
CDC - TRUSTEE PAKISTAN INCOME FUND	8,000	0.00
CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND	685,500	0.03
CDC - TRUSTEE MEEZAN BALANCED FUND	6,500	0.00
CDC - TRUSTEE ATLAS INCOME FUND	500	0.00
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	2,500	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	89,734	0.00
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND	22,500	0.00
CDC -TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	319,000	0.02
CDC - TRUSTEE MCB DCF INCOME FUND	3,000	0.00
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	2,500	0.00
CDC - TRUSTEE ABL INCOME FUND	5,000	0.00
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,217,500	0.06
CDC - TRUSTEE KSE MEEZAN INDEX FUND	469,200	0.02
CDC - TRUSTEE ATLAS INCOME FUND - MT	137,999	0.01
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	60,000	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2,272,562	0.11
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	62,000	0.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	574,000	0.03
MCBFSL - TRUSTEE NAFA INCOME FUND - MT	24,500	0.00
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1,518,000	0.07
CDC - TRUSTEE FAYSAL MTS FUND - MT	9,001	0.00
CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT	1,500	0.00
8 Shareholders holding 5 % or more voting interest		
ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
FATIMA HOLDING LIMITED	270,343,091	12.87
RELIANCE COMMODITIES (PVT) LIMITED	209,863,694	9.99
ARIF HABIB	159,275,959	7.58
FAISAL AHMED MUKHTAR	131,453,979	6.26

No. of Shareholders	Having Shares From		To	Shares Held
2312	1	to	100	85,973
4199	101	to	500	1,696,390
1306	501	to	1000	1,168,239
1795	1001	to	5000	4,857,443
590	5001	to	10000	4,717,762
224	10001	to	15000	2,864,576
135	15001	to	20000	2,517,429
95	20001	to	25000	2,201,443
48	25001	to	30000	1,354,749
37	30001	to	35000	1,210,753
30	35001	to	40000	1,135,458
20	40001	to	45000	858,312
52	45001	to	50000	2,581,551
13	50001	to	55000	679,505
23	55001	to	60000	1,341,132
15	60001	to	65000	945,159
16	65001	to	70000	1,086,428
8	70001	to	75000	584,600
2	75001	to	80000	156,250
4	80001	to	85000	335,065
3	85001	to	90000	265,234
2	90001	to	95000	188,900
31	95001	to	100000	3,096,500
7	100001	to	105000	724,500
6	105001	to	110000	647,834
3	110001	to	115000	337,287
3	120001	to	125000	375,000
5	125001	to	130000	643,437
2	130001	to	135000	268,500
4	135001	to	140000	553,499
3	140001	to	145000	424,421
11	145001	to	150000	1,642,900
2	150001	to	155000	309,500
3	155001	to	160000	478,685
1	160001	to	165000	165,000
3	165001	to	170000	501,000
3	170001	to	175000	516,225
1	175001	to	180000	175,100
1	180001	to	185000	182,000
4	185001	to	190000	752,566
1	190001	to	195000	190,500
12	195001	to	200000	2,390,228
1	200001	to	205000	204,250
1	205001	to	210000	206,500
2	210001	to	215000	424,419
4	220001	to	225000	895,000
2	225001	to	230000	457,000
1	230001	to	235000	232,000
1	235001	to	240000	235,752
1	240001	to	245000	240,784

Pattern of Shareholding

as at December 31, 2016

No. of Shareholders	From	Having Shares	To	Shares Held
3	245001	to	250000	750,000
3	265001	to	270000	806,500
2	270001	to	275000	548,500
1	280001	to	285000	280,800
1	290001	to	295000	294,100
3	300001	to	305000	914,000
1	315001	to	320000	319,000
1	320001	to	325000	325,000
2	325001	to	330000	659,998
1	330001	to	335000	331,292
1	335001	to	340000	336,000
1	340001	to	345000	341,000
1	360001	to	365000	364,375
3	375001	to	380000	1,133,365
1	380001	to	385000	382,500
1	395001	to	400000	400,000
1	400001	to	405000	403,043
1	405001	to	410000	407,000
3	415001	to	420000	1,253,390
2	445001	to	450000	897,000
1	465001	to	470000	469,200
3	470001	to	475000	1,421,042
1	475001	to	480000	479,583
4	495001	to	500000	1,999,500
1	505001	to	510000	505,241
2	510001	to	515000	1,029,086
1	520001	to	525000	524,280
1	525001	to	530000	527,862
1	540001	to	545000	543,763
3	570001	to	575000	1,721,584
2	585001	to	590000	1,176,361
2	605001	to	610000	1,218,583
2	645001	to	650000	1,300,000
2	655001	to	660000	1,320,000
1	670001	to	675000	675,000
1	680001	to	685000	680,500
1	685001	to	690000	685,500
1	720001	to	725000	725,000
1	745001	to	750000	749,500
1	750001	to	755000	753,687
1	755001	to	760000	758,797
2	780001	to	785000	1,567,950
1	785001	to	790000	788,000
1	795001	to	800000	800,000
1	845001	to	850000	850,000
1	855001	to	860000	860,000
1	950001	to	955000	952,500
1	960001	to	965000	964,676
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,005,446

No. of Shareholders	From	Having Shares	To	Shares Held
1	1055001	to	1060000	1,060,000
1	1095001	to	1100000	1,095,270
1	1130001	to	1135000	1,130,500
1	1155001	to	1160000	1,155,701
1	1195001	to	1200000	1,200,000
1	1215001	to	1220000	1,217,500
1	1295001	to	1300000	1,300,000
3	1345001	to	1350000	4,049,050
1	1515001	to	1520000	1,518,000
2	1540001	to	1545000	3,083,378
1	1770001	to	1775000	1,771,000
1	1825001	to	1830000	1,825,390
2	2015001	to	2020000	4,030,430
1	2020001	to	2025000	2,021,500
1	2205001	to	2210000	2,209,500
1	2235001	to	2240000	2,237,500
1	2270001	to	2275000	2,272,562
1	2275001	to	2280000	2,275,001
1	2310001	to	2315000	2,314,437
1	2345001	to	2350000	2,346,000
1	2400001	to	2405000	2,403,669
1	2495001	to	2500000	2,500,000
1	2625001	to	2630000	2,625,166
1	2920001	to	2925000	2,925,000
1	2980001	to	2985000	2,981,177
1	3060001	to	3065000	3,062,500
1	3300001	to	3305000	3,303,500
1	3920001	to	3925000	3,924,459
1	4695001	to	4700000	4,700,000
1	4995001	to	5000000	5,000,000
1	5115001	to	5120000	5,116,285
3	51550041	to	5160000	15,474,978
2	5355001	to	5360000	10,718,543
1	5370001	to	5375000	5,373,907
3	5375001	to	5380000	16,125,084
1	5655001	to	5660000	5,658,075
1	7035001	to	7040000	7,039,929
2	7425001	to	7430000	14,859,154
2	7735001	to	7740000	15,474,978
1	8440001	to	8445000	8,441,356
1	8460001	to	8465000	8,463,903
2	10015001	to	10020000	20,039,578
1	10065001	to	10070000	10,066,585
1	10345001	to	10350000	10,348,435
1	10780001	to	10785000	10,783,500
1	11745001	to	11750000	11,749,863
1	12490001	to	12495000	12,492,349
1	14800001	to	14805000	14,801,930
1	15350001	to	15355000	15,351,172
1	15470001	to	15475000	15,471,618

Pattern of Shareholding

as at December 31, 2016

No. of Shareholders	Having Shares From		To	Shares Held
1	17910001	to	17915000	17,913,706
1	19745001	to	19750000	19,745,500
1	22395001	to	22400000	22,400,000
2	23615001	to	23620000	47,238,958
1	27235001	to	27240000	27,235,044
1	39255001	to	39260000	39,258,014
1	39510001	to	39515000	39,512,487
1	40950001	to	40955000	40,954,543
1	41160001	to	41165000	41,163,375
1	46610001	to	46615000	46,610,769
1	47235001	to	47240000	47,238,088
1	47250001	to	47255000	47,251,837
1	47430001	to	47435000	47,432,500
1	53875001	to	53880000	53,878,336
1	54160001	to	54165000	54,162,859
1	62695001	to	62700000	62,700,000
1	81730001	to	81735000	81,731,860
1	91900001	to	91905000	91,900,380
1	124495001	to	124500000	124,500,000
1	126540001	to	126545000	126,544,836
1	128130001	to	128135000	128,131,834
1	142025001	to	142030000	142,027,255
1	159275001	to	159280000	159,275,959
1	194500001	to	194505000	194,500,206
11211				2,100,000,000

Financial Calendar

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

Annual General Meeting	April 25, 2017
1st Quarter ending March 31, 2017	Third week of April, 2017
2nd Quarter ending June 30, 2017	Third week of August, 2017
3rd Quarter ending September 30, 2017	Third week of October, 2017

Form of Proxy

14th 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 14th Annual General Meeting of the Company to be held on Tuesday, April 25, 2017 and / or any adjournment thereof.

As witness my/our hand/seal this ____________________ day of April, 2017.

Signed by ____

in the presence of ____

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

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

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

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

- (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- (ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- (iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

AFFIX
CORRECT
POSTAGE

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

فاطمہ فرٹیلائزر کمپنی لمیٹڈ

پراکسی فارم

14 واں سالانہ عمومی اجلاس

میں / ہم --

ساکن -- بطور ممبر (ز) فاطمہ فرٹیلائزر کمپنی لمیٹڈ

حامل ---------------------------------- عام حصص، محترم / محترمہ --

ساکن -- یا ان کے حاضر نہ ہو سکنے کی صورت میں ---------------------------------

ساکن -- کو اپنے / ہمارے ایماء پر کمپنی کے مورخہ 25 اپریل 2017 بروز منگل کو ہونے والے یا کسی بھی التوا کی صورت میں 14 واں سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

بطور گواہ آج ---------- بتاریخ ---------- اپریل 2017 -------------------------- کی موجودگی میں دستخط ہوئے۔

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے ریسدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے / کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔**

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہو گی۔

AFFIX
CORRECT
POSTAGE

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

INVESTORS' EDUCATION

In compliance with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

fatima-group.com

E-110, Khayaban-e-Jinnah
Lahore Cantt., Pakistan
PABX : +92 42 111 328 462
Fax : +92 42 3662 1389