Fatima
Fertilizer Company Limited

ANNUAL REPORT 2017

ADDING VALUE

Table of Content

Business Review

Separate Financial Statements

Consolidated Financial Statements

At its core, Fatima Fertilizers has always been about providing the best quality offerings to our stakeholders across the board. Our products offer exceptional quality to our consumers, bringing with them the prosperity that drives their ambitions forward. Our operations benefit the nation as well, bolstering economic growth and helping the citizens of our country progress as we develop further. This year's cover reinforces our motto of adding value and enriching lives for all, which stands as the basis of all our efforts as a successful and responsible entity.

Key Highlights 2017

1,292
MT in "000"
Fertilizer Production

37,612
PKR in Million
Revenue

10,576
PKR in Million
Profit After Tax

5.04
Rupees
Earnings Per Share

2.25
Rupees
Dividend Per Share

5,989
PKR in Million
Contribution to National Exchequer

16.4
Percentage
Return on Capital Employed

21,190
Numbers
Agriculture Farms Addressed

42.12
Million Hours
Combined Safe Man Hours (HSE)

869
Numbers
Permanent Employees

8,500
Numbers
Trees Planted

15
Percentage
Women Development (Female Staff in Head Office)

108,547
Man Hours
Investing in Manpower

586
PKR in Million
Investment in CSR

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

1. To be the preferred fertilizer Company for farmers, business associates and suppliers by providing quality products and services.
2. 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.
3. 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 to be the industry leader and a sustainable contributor to the nation's agricultural sector. We aspire to continuously improve by achieving and exceeding global standards for product safety, quality, EHS, manufacturing and management excellence.

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

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

Management's Objectives & Strategies for meeting those objectives

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

Significant changes in Objectives and Strategies

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

Relationship between Entity's Results and Management's objectives

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

Nature of Business

Fatima Fertilizer Company Limited (Fatima) 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 (Fatima) is a joint venture between two major business groups in Pakistan namely, Fatima Group and Arif Habib Group, with its head office located in Lahore.

The fertilizer complex, producing mix fertilizer products, is a fully integrated production facility, located at Sadiqabad, District Rahim Yar Khan. The foundation stone was laid on April 26, 2006 by the then Prime Minister of Pakistan. The Complex has dedicated gas allocation of 110 MMCFD from the Mari Gas Field and has 56 MW captive power plants in addition to off-sites and utilities. Commercial production commenced on July 01, 2011. The Complex, at its construction peak, engaged over 4,000 engineers and technicians from Pakistan, China, USA, Japan and Europe.

The Complex had 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, the Ammonia Plant was successfully revamped to enhance its capacity by 10%, along with an improvement in the energy index and reliability at a cost of USD 58 Million, with the support of an engineering company, M/s Haldor Topsoe of Denmark. All objectives of the upgrade were achieved successfully. In 2016, the CAN Plant capacity was enhanced through an in-house modification, yielding an additional 22,000 MT production per annum. In 2017, an Advance Process Control project, the first of its kind in Pakistan, was implemented at the Ammonia Plant, further enhancing capacity and improving the energy index by 1%.

The Complex is housed on 947 acres of land, which provides modern housing for its employees with all necessary facilities, including a well-managed school for children of employees and the local community, a medical center and a large number of sports facilities.

Landmark Events

2003
- Company Incorporation

2004
- Gas Allocation

2005
- GSA Signing

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

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

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

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

2012
- May – Conversion and Redemption of Preference Shares

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

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

2015
- Ammonia Plant Revamped to enhance capacity by 10%
- Strategic acquisition of DH Fertilizers (now 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.

2017
- Highest ever sales volume resulting EPS crossing PKR 5 per share
- Awarded excellence rating by Dupont (Level-4) in safety systems
- Ammonia plant capacity enhanced by 3.5% and efficiency improved by 1.5% through various measures

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh
Director

Mr. Faisal Ahmed Mukhtar
Director

Mr. M. Abad Khan
Director

Mr. Muhammad Kashif Habib
Director

Ms. Anja E. Nielsen
Independent Director

Mr. Tariq Jamali
Nominee Director - NBP

Director Finance & Chief Financial Officer

Mr. Asad Murad

Company Secretary

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

Key Management

Mr. Arif-ur-Rehman
Chief Manufacturing Officer

Mr. Rehman Hanif
Plant Manager

Ms. Sadia Irfan
Director HR

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Ahsen-ud-Din
Director Technology Division

Sardar Naufil Mahmud
Chief Information Officer

Mr. Salman Ahmad
Head of Internal Audit

Mr. Aftab Khan
Chief Supply Chain Officer

Mr. Faisal Jamal
Corporate HSE Manager

Audit Committee Members

Mr. Muhammad Kashif Habib
Chairman

Ms. Anja E. Nielsen
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

Ms. Anja E. Nielsen
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, Abu Bakar Block, New Garden Town, Lahore
Tel: +92 42 3591 3595-7
+92 42 3544 0520
Fax: +92 42 3544 0521
Web: www.deloitte.com.pk

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) 3432 6053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami 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
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: +92 42 3662 1389

Plant Site

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

Profile of the Directors

Mr. Arif Habib
Chairman /
Non-Executive Director

Mr. Arif Habib is the Chairman of Fatima Fertilizer Company Limited. He is also the Chief Executive Officer of Arif Habib Corporation Limited and the Chairman of Pakarab Fertilizers Limited, Fatimafert Limited, Aisha Steel Mills Limited, Javedan Corporation Limited and Sachal Energy Development (Pvt.) Limited.

Mr. 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 to the Board of Directors of a number of companies by the Government of Pakistan.

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

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. After graduation, he has spent 30 years developing his family business into a sizable conglomerate.

Mr. Mukhtar leads several community service initiatives of the Group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School and Mukhtar A. Sheikh Welfare Trust, among others. He is also the Chairman of Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Air One (Private) Limited, and is also the CEO of Pakarab Fertilizers Limited, Fatimafert Limited and Fatima Cement Limited. He is also the Director of Fatima Transmission Company Limited, Fatima Electric Company Limited and Pakarab Energy Limited. In addition, he is 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. He is also a member of the Board of Directors at Pakarab Fertilizers Limited, Fatimafert Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fazal Cloth Mills Limited and Fatima Cement 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 a member of the 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, Air One (Private) Limited and Fatima Cement Limited. Additionally, he was also a member in the Provincial Finance Commission (Punjab), Steering Committee of Southern Punjab Development Project and Decentralization Support Program; had been the Chairman of Multan Development Authority and was also a member of the syndicate of Bahauddin Zakariya University, Multan.

Mr. M. Abad Khan
Non-Executive Director

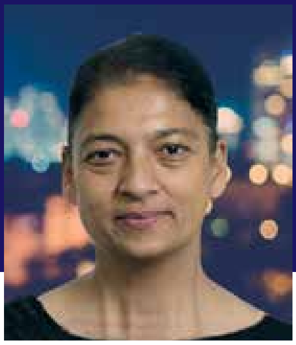
Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in fertilizer manufacturing from abroad. He was part of the team that commissioned Pakistan's first Urea Plant under the aegis of PIDC.

Mr. Khan served Exxon Chemical Pakistan Limited for 15 years mostly at senior management positions in manufacturing. He led Fauji Fertilizer Company Limited manufacturing for 14 years as General Manager Plant. During this period, the Plant operated par excellence and the site capacity increased to more than double. In 2001, when Fauji Fertilizer Bin Qasim Limited faced serious challenges, he took responsibility as head of manufacturing and was instrumental in ensuring smooth operations and a major revamp of 25% capacity.

Mr. Khan has been with Fatima Group for the last 12 years and has played a significant role in establishing the Fatima Fertilizer plant and operational improvements in Pakarab Fertilizers Limited. He has extensive international exposure through seminars, symposiums and trainings including at Harvard Business School. He is also Director of several other Group Companies namely Fatima Energy Limited, Pakarab Energy Limited, Fatimafert Limited, Fatima Ventures (Pvt) Limited, Fatima Cement Limited and Fatima Electric Company Limited.

Mr. Muhammad Kashif Habib
Non-Executive Director

Mr. Muhammad Kashif Habib is the Chief Executive of Power Cement Limited and Safemix Concrete Limited. Being a member of the Institute of Chartered Accountants of Pakistan (ICAP) he completed his articleship from A.F. Ferguson & Co. (a member firm of Price Waterhouse Coopers), where he gained experience of diverse sectors serving clients spanning the finance, manufacturing and services industries. He has four years of experience in Arif Habib Corporation Limited, as well as, over five years' experience as an Executive Director in the cement and fertilizer companies of the Group.



Ms. Anja E. Nielsen
Non-Executive Director

Ms. Anja E. Nielsen holds a MSc in Chemical Engineering from Technical University of Denmark. She is employed with Haldor Topsøe A/S since 1988, and is currently working as Vice President, Customer Solutions and Services, Chemical Business Unit. Ms. Nielsen has more than 29 years of experience with Haldor Topsøe A/S, during which she has held various positions related to petrochemical plants including Technical Service Engineer, Area Sales Manager, Department Head of Group covering catalyst sales and technical services, General Manager for Global Marketing & Product Management - Syngas Catalyst. She brings in vast experience and technical management know how for Fatima.

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

Mr. Tariq Jamali is SEVP & Group Chief Assets Recovery Group. Previously, he headed the Logistics Support Group, Commercial & Retail Banking Group and Group Chief of Compliance since 2009. He joined National Bank of Pakistan in 1987 and has held numerous senior management positions at regional and head office levels. His work experience spans more than 26 years at different key positions. He holds an MBA degree from University of Dallas, USA.

Board Structure and Committees

Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. It comprises of eight directors including a female director, Ms. Anja Elisabeth Nielsen. Seven of the Board members have been elected by the shareholders for a term of three years which expires on April 30, 2020 and one director is the nominee of National Bank of Pakistan. There are two executive directors including the Chief Executive Officer and six non-executive directors including the Chairman, Nominee Director and Independent Director. The Board 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

Ms. Anja Elisabeth Nielsen
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 oard 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

Ms. Anja Elisabeth Nielsen
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 a number of energy improvement and capacity enhancement initiatives, thus achieving above design capability. Since July 2016, he has moved to the Head Office in Lahore and now oversees the Fertilizer Manufacturing and Supply Chain functions of Fatima Group. He is a Chemical Engineer with over 35 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 Khan

Director Operations

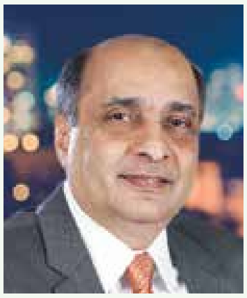
Mr. Inamullah Naveed Khan remained Director Operations of Fatima Fertilizer, Plant site, Sadiqabad till December 31, 2017 and is now working in his new role as Director Operations of Pakarab Fertilizers Limited effective January 01, 2018. Previously, Inam served as Vice President at Engro Fertilizers. He started his career with Snamprogetti, SpA of Italy and had experience of EPC of two world scale plants. Out of the seven years spent with Snamprogetti, four of those years were international experience.

Mr. Khan joined Exxon/Engro in 1987 and had diversified experience throughout his career there. 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 four years and Admin Manager for three years and then took over as General Manager Manufacturing in 2003. In 2007, he was assigned as VP/Project Executive of the billion dollar, 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 the EnVen project, he took over as Vice President Manufacturing in 2011. Mr. Khan retired as Vice President, Manufacturing from Engro Fertilizers in March 2016 after a service of more than 29 years. He joined Fatima on April 18, 2016.

Mr. Asad Murad

Director Finance / Chief Financial Officer

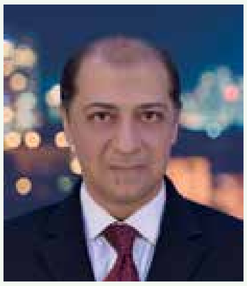
Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In an over 20 year career, he has held various senior management positions in the areas of financial management, strategic business planning, risk management and corporate compliance. He has also served as Chief Financial Officer at Honda Atlas Cars (Pakistan) Limited, a subsidiary of Honda Motor Company, Japan. He joined Fatima Group in 2010 as Group Head of Internal Audit before being appointed to his current position as the Chief Financial Officer of the Company. As an addition role, he was Head of Marketing & Sales in 2016 and 2017.



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 35 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol-Myers Squibb (BMS). In his over 20 year 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. Khurram Javed Maqbool

Director Sales & Marketing

With over 20 years of association with Marketing and Sales function, Mr. Khurram Javed Maqbool is the new Director Sales & Marketing. He has served long tenures with organizations like Nestle and Engro. His last position was General Manager Food Services and Exports with Engro Foods Ltd. In his previous roles, Khurram has run Marketing and Sales operations entailing brand management, innovation, portfolio strategy, institutional sales, exports, category and channel development, merchandising, sales forecasting and cycle planning.

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

Ms. Sadia Irfan

Director Human Resources

Ms. Sadia Irfan, Director Human Resources brings with her rich experience from MNCs and HR consultancies, with work experience spanning over 25 years in human resources management and leadership, including 18 years with leading MNCs like PepsiCo, Nestle & Electrolux.

Ms. Irfan's expertise includes HR Strategic Leadership, Merger & Acquisition, Startup Operations, Organisation Development, Organisation Design, Change Management, and Employee Engagement within complexed business models like Franchise Operated Bottling Operations (FOBO), Operating Company (OpCo) and Company Owed Snacks Operations (CoSo). Her last assignment was with PepsiCo where she led strategic HR for multiple Business Units (BU) as HR Director including West Asia, Middle East, Africa, Pakistan and Afghanistan.

Ms. Irfan's strategic leadership won PepsiCo Pakistan's business many internal and external laurels. Under her leadership, the BU won many internal and external awards and recognitions. These included PepsiCo's most prestigious Harvey Russell Award for Diversity & Inclusion, Best Place to Work multiple times in a row, Integrated Control Environment, Highest Ever Female Representation at the Board, Highest Ever Employee Engagement Index for Pakistan across Asia Pacific Region & AMENA Sector, to name a few. She has been recognized for championing best practices in systems and culture which were proudly lifted and shifted across PepsiCo Regions.

Ms. Irfan has earned valuable certifications and is recognized as a leader in the fields of Advanced Facilitation, Executive Coaching and Mentoring Talent and Strategy. Sadia has been an active guest speaker on strategic HR challenges at Pakistan and Middle East Forums. Her passionate leadership for female engagement and development is recognized in the corporate world as a great value addition to Diversity & Engagement journey.

Mr. Iftikhar Mahmood Baig

Director Business Development

Iftikhar Mahmood Baig is Director Business Development of Fatima Group and is advising/supporting business sustainability and development/generation of new business opportunities as well as overseeing all regulatory affairs issues. He has over 30 years of financial and commercial experience and is a Fellow Member of the Institute of Chartered Secretaries and Managers of Pakistan.

Over the course of his two decade tenure with Fatima Group, Mr. Baig has served in senior positions in various Group companies as CFO and Company Secretary. He played an important role in the acquisition of Pakarab Fertilizers Limited in 2005. He was instrumental in successfully achieving Financial Close of the largest rupee syndication of PKR 23 billion in 2006 for the greenfield fertilizer manufacturing complex of Fatima Fertilizer Company Limited (Investment USD 750 million). Iftikhar has been involved in various projects from the planning stage through to the operational stage, including Fatima Fertilizer Company Limited, as well as, Fatima Energy Limited.

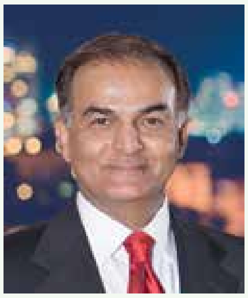
Key Management

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 vast experience of over 42 years, working in the 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 approximately 35 years of management experience with leading companies like Engro Corporation (formerly Exxon Chemical Pakistan), Fauji Fertilizer and Kuwait National Petroleum. During his career, Mr. Ahsen-ud-din has a track record of executing multi-million dollar petrochemical and fertilizer projects and also efficiently managing fertilizer and petrochemical manufacturing facilities with world class HSE performance.



Sardar Naufil Mahmud
Chief Information Officer

Mr. Sardar Naufil Mahmud joined Fatima Group in January 2017. Mr. Mahmud has over 28 years of successful leadership experience in companies such as K-Electric Limited, Dewan Mushtaq Group and ICI Pakistan Limited. 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. He is a Fellow Chartered Accountant (FCA) from the 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. Ahmad has served Fatima Fertilizer in the Internal Audit function for two years in the past and has rejoined Fatima Group in 2016.

Mr. Aftab Ahmed Khan

Chief Supply Chain Officer

Mr. Aftab Ahmed Khan is an MBA, a Fellow of the Chartered Institute of Procurement & Supply, UK, as well as, a Fellow of the Chartered Institute of Logistics & Transport, UK. He has over 28 years of successful leadership experience gained within the leading British, American, European and Middle Eastern companies at both national and international levels. Mr. Khan is well experienced in delivering value to customers and stakeholders and in developing people and processes. He is overseeing the development and execution of corporate supply chain and procurement strategies. He is leading group synergies to liberate cost in order to fuel ambitious growth. The corporate Supply Chain function, under his leadership, is on course in its journey to excellence.

Mr. Faisal Jamal

Corporate HSE Manager

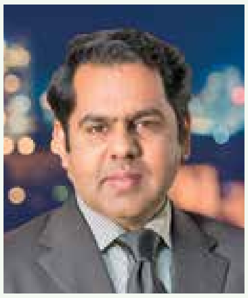
Mr. Faisal Jamal leads the Corporate HSE and Technical Support team. A chemical engineer by qualification, with 19 years of professional experience, he possesses a strong leadership, technical safety, HSE & operating culture, and risk management foundation, augmented by rich experience in process engineering and operations. His experience in oil & gas exploration and production, refining and fertilizer manufacturing businesses has enabled him to utilize his expertise in HSE and technical support with a broader perspective and a sustainable approach. Mr. Jamal is responsible for introducing, developing and implementing world class HSE processes in the entities in Fatima Group to continually improve performance. In addition to HSE, he is also responsible for providing technical support to the site teams to enhance plant reliability and efficiency.

Mr. Rehman Hanif

Plant Manager

Mr. Rehman Hanif is heading the Fatima Fertilizer, Plant site, Sadiqabad, as Plant Manager since January 01, 2018. Rehman joined Fatima Fertilizer in 2013 as Production Manager and led the team through challenging times. Under his leadership, all plants at site exceeded their name plate capacities and highest site production was achieved in 2016. He was instrumental in embedding DuPont/OSHA Process Safety Management (PSM) model in the way Fatima operated, through effective people engagement and systems development. He later served as Technical & Projects Manager, where he focused on improving plant efficiency and reliability, reducing working capital and ensuring efficient expense controls. He has successfully delivered multi-million dollar projects.

Mr. Hanif started his career with Dawood Hercules in 1998 and joined Engro in 2001 where he had versatile experience of leading multiple plants at various capacities. He has a Master's degree in Chemical Engineering with over 19 years of experience in the fertilizer industry. He is certified 6-sigma green belt and has expertise in DuPont Process Safety Management systems implementation from which Fatima has benefited.

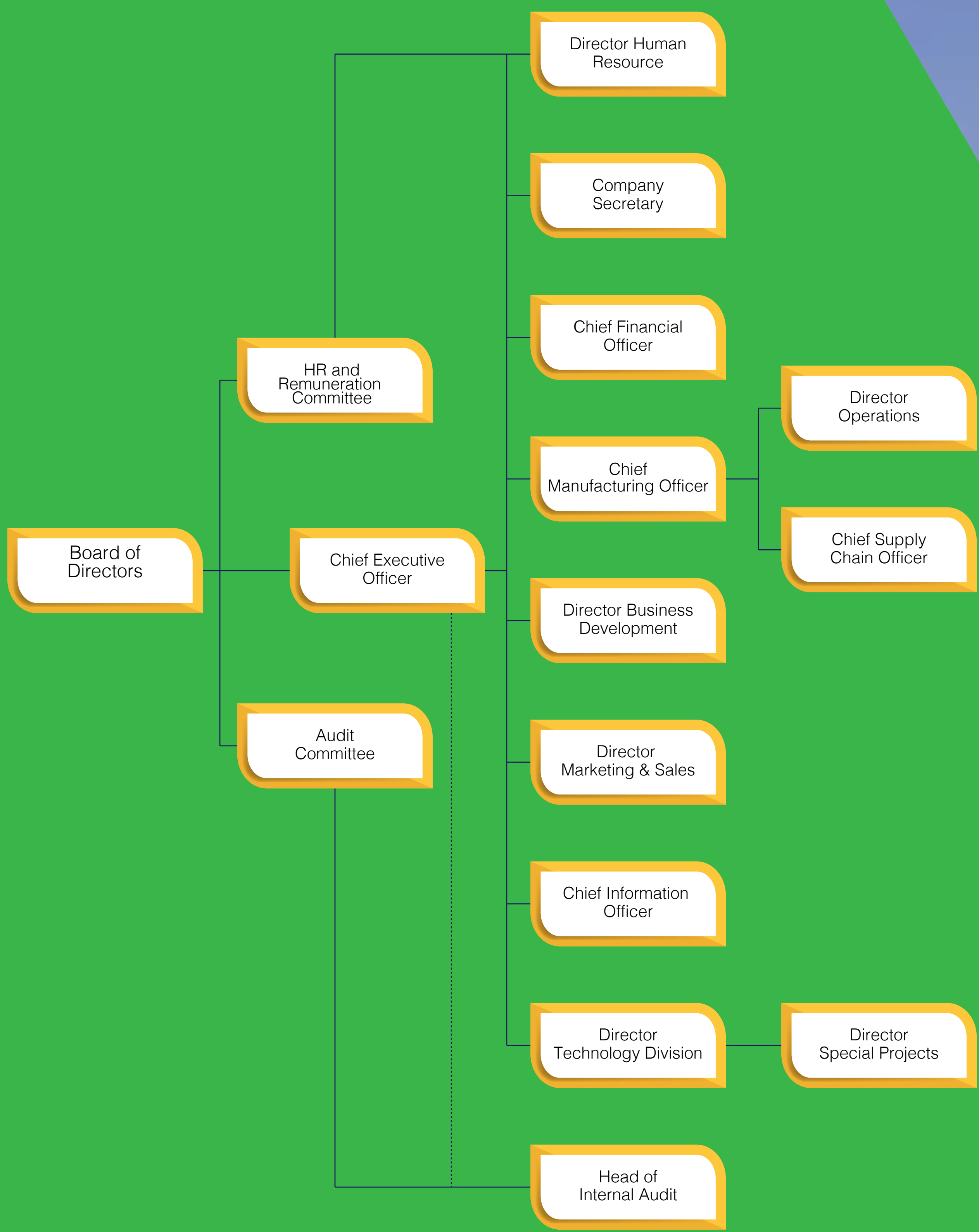


Mr. Asghar Naveed

Plant Manager – Fatimafert Limited

Mr. Asghar Naveed possesses more than 22 years of high-end experience in the fertilizer industry. He holds a degree in Chemical Engineering along with various diplomas in HSE, Six Sigma and Project Management. He joined Fatima Group in 2012 where initially, he played an instrumental role in developing HSE roadmap and then in implementing best practices within the Group companies. Currently, he is head of Fatiamfert Limited and actively playing his role in bringing operational excellence at site. Mr. Naveed is a renowned speaker at national and international forums, and has authored various publications.

Organizational Chart



Business Review

Chairman's Message

Mr. Arif Habib
Chairman

2017 was another stellar year for Fatima Fertilizer Company Limited which performed better than its other industry competitors on most key indicators.

Besides sustained revenue growth, your Company has begun to reap benefits from its productivity and efficiency enhancement initiatives. The Marketing, Sales and Technical services teams are to be congratulated for the success of their value added fertilizers campaign, which promoted higher crop yields and therefore farmer prosperity. Revenue increased by 11% over last year despite pricing pressures. We continue to be proud of our manufacturing excellence, and saw another year of focus on efficiency and high HSE standards. We hope that Government will reinforce its policies to make Pakistan's agriculture sector more viable, thereby improving farmers' economics and bringing prosperity to rural communities. At the same time, our drive to promote and modernize usage of balanced and optimal fertilizers will continue and we look forward to achieving higher agronomic standards in the Country.

چیئرمین کا پیغام

سال2017ء فاطمہ فرٹیلائزر کمپنی لمیٹڈ کیلئے ایک اور شاندار سال ثابت ہوا جس کے دوران کمپنی نے تمام قابل ذکر شعبوں میں اپنی مدمقابل کمپنیوں سے کئی گنا بہتر کارکردگی کا مظاہرہ کیا۔ زرِمبادلہ میں نمایاں اضافہ کے علاوہ آپکی کمپنی نے اپنی پیداواری اور صلاحیتی بہتری کے اقدامات سے بھی مستفید ہونے کا آغاز کر دیا۔

مارکیٹنگ، سیلز اور ٹیکنیکل سروسز ٹیمیں اپنی مفید فرٹیلائزر مہم کی کامیابی پر مبارکباد کی مستحق ہیں جس کی بدولت فصلوں کی پیداوار اور کسان کی خوشحالی میں خاطر خواہ اضافہ ہوا۔ قیمتوں پر دباؤ کے باوجود گزشتہ سال کی نسبتاً زرِمبادلہ میں 11 فیصد اضافہ ہوا۔ ہم آج پھر اپنی پیداواری مہارت پر فخر محسوس کرتے ہیں اور اس سال بھی استعداد اور بہترین ایچ ایس ای معیارات پر توجہ مرکوز رہی۔ ہم اُمید کرتے ہیں کہ حکومت، پاکستان کے زرعی شعبہ کو مزید موثر بنانے کیلئے اپنی حکمت عملی کو مزید تقویت دے گی جس کے نتیجہ میں کسانوں کی معاشی حالت میں بہتری اور دیہی علاقوں میں خوشحالی آئے گی۔ اس دوران متوازن اور سازگار کھادوں کے استعمال کے فروغ اور جدت کیلئے ہماری محنت جاری رہے گی اور ہم ملک میں اعلیٰ دیہی معاشی معیار کے حصول میں کامیابی کے متمنی ہیں۔

CEO's Message

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

We undertook to drive sustainable growth and prepare the Company for the opportunities of tomorrow. I am extremely happy to report that we have again achieved record sales volumes with a growth of 22.5% over last year.

The performance of CAN in particular was highly commendable and the growing trend augurs well for the future. Following the Government's policy allowing the export of urea, the Company exported 107,866 MT of Urea, helping in generation of much needed foreign exchange for the Country. I am very pleased with the benchmarks achieved for sales volumes, marketing excellence and HSE resulting in highest ever profitability levels for our Company.

Our Sales, Marketing and Technical services teams have successfully partnered with the farming community and the Government in demonstrating the substantial benefits of balanced usage of CAN and NP. We now intend to leverage our trust and partnership with both the farmer and Government agencies to introduce next generation technology in the agrarian space.

On the technology initiative our mission is "To be the One-Stop Agriculture Input Solutions and Services provider in line with IFA's guidelines and pioneer in introduction of Precision Technologies in the national agricultural development process with the aim to improve yield and quality of the farm produce and increase profitability for the farmers.". This would include end to end farmer value chain, farmer input supply, farmer to market services, mobile wallet, high tech mechanized precision agriculture and crop insurance.

Our manufacturing operations continue their drive to ever higher levels of excellence and have achieved international safety certifications that are rare in Pakistan's manufacturing sector.

Similar to last year, your Company strengthened its market position and outperformed the industry again this year. I would like to thank and congratulate all employees for the results achieved due to their hard work and dedication.

چیف ایگزیکٹو آفیسر کا پیغام

ہم نے پائیدار و دیرپا ترقی کے عمل کا آغاز کرتے ہوئے مستقبل کے مواقعوں سے مستفید ہونے کیلئے کمپنی کی حکمت عملی مرتب کی۔ مجھے یہ بتاتے ہوئے انتہائی خوشی محسوس ہو رہی ہے کہ ہم اس سال گزشتہ سال سے 22.5 فیصد زیادہ فروخت حجم کے ساتھ ایک نیا ریکارڈ قائم کرنے میں کامیاب رہے۔ خاص طور پر CAN کی کارکردگی انتہائی قابل ستائش رہی اور مستقبل کیلئے ترقی کا رُحجان انتہائی مثبت نظر آرہا ہے۔ یوریا برآمد کرنے کی اجازت کی حکومتی پالیسی پر عملدرآمد کرتے ہوئے کمپنی نے 107,866 میٹرک ٹن یوریا برآمد کی جس سے ملک کیلئے اشد ضروری کثیر غیر ملکی زرمبادلہ کا حصول ممکن ہوا۔ مجھے فروخت کے حجم، مارکیٹنگ برتری اور ایچ ایس ای میں نئے سنگ میل عبور کرنے پر انتہائی فخر ہے اور بلاشبہ انہی اقدامات کے نتیجہ میں کمپنی منافع کے لحاظ سے اپنی بلندترین سطح تک پہنچی۔

ہماری سیلز، مارکیٹنگ اور ٹیکنیکل سروسز ٹیموں نے CAN اور NP کے متوازن استعمال کی اہمیت کو اُجاگر کرتے ہوئے اس سے حاصل ہونے والے کثیر فوائد کی نشاندہی کے ذریعے زراعت کے شعبہ سے وابستہ لوگوں اور حکومت سے کامیاب عملی تعاون یقینی بنایا۔ اب ہم کسانوں اور حکومتی اداروں کے ساتھ اس اعتماد اور شراکت داری کا فائدہ اٹھاتے ہوئے زرعی شعبہ میں نئے رُحجانات و ٹیکنالوجی متعارف کروانے کا ارادہ رکھتے ہیں۔

ٹیکنالوجی سے متعلقہ نئے اقدامات کیلئے ہمارا مشن "آئی ایف اے کی ہدایات کے مطابق ایک ہی جگہ پر تمام زرعی معاملات کے حل کا واحد مرکز (One-Stop Agriculture Input Solution) اور سروس دہندہ بننا اور قومی زرعی ترقی کے عمل میں توقعات کے عین مطابق جدید ٹیکنالوجی متعارف کروانے کے بانی ہونے کا اعزاز حاصل کر کے پیداوار اور معیار میں بہتری کے ذریعے کسانوں کیلئے مجموعی پیداوار اور منافع کی شرح میں اضافہ یقینی بنانا" ہے۔ جس میں اینڈ ٹو اینڈ فارم ویلیو چین، کسان کو سہولیات کی فراہمی، کسان سے مارکیٹ تک خدمات، موبائل والٹ، جدت پر مبنی بہترین زراعت اور فصلوں کے بیمہ جیسے عوامل شامل ہوں گے۔

ہماری پیداواری سرگرمیاں بہتری کے لحاظ سے اپنے عروج کی جانب گامزن ہیں اور یہ سرگرمیاں بین الاقوامی حفاظتی تصدیقی معیار تک پہنچ چکی ہیں جو کہ پاکستان کے پیداواری شعبہ میں انتہائی نایاب ہیں۔

گزشتہ سال کی طرح آپ کی کمپنی نے اس سال دوبارہ مارکیٹ میں اپنی سبقت برقرار رکھتے ہوئے باقی سب کو پیچھے چھوڑ دیا۔ میں ان تمام نتائج کے حصول کیلئے سخت محنت اور لگن سے کام کرنیوالے تمام ملازمین کا مشکور ہوں اور اس بے مثال کامیابی پر اُنہیں مبارکباد پیش کرتا ہوں۔

Directors' Report

to the Shareholders for the year ended December 31, 2017

The Directors of the Company are pleased to present the Annual Report for the year 2017.

Sales Volume		
Product	**2017 Tons**	**2016 Tons**
Urea	525,606	391,123
CAN	538,522	379,050
NP	413,046	435,650
Total	**1,477,174**	**1,205,823**

It is with great pleasure that we present the operating results of your Company. The year 2017 proved yet again that the Company's drive for Sustained Growth has provided a strong base for continuous Value Addition. 2017 has been another chapter in the success story of Fatima Fertilizer Company Limited. This year, your Company achieved its first ever exports and highest ever profitability and volume of sales. Due to continuous process improvements in Production and Technical operations, the Company successfully extended its turnaround cycle beyond the customary 12 months period. We efficiently organized customer focused marketing strategies, proactive approaches to customer satisfaction and marketing excellence, paving the way for a remarkable performance.

Market Overview

Farmer economics in 2017 remained positive owing to continuation of farmer friendly Government policies. Local offtake of Urea grew by 7% to close at 5.85 million MT as compared to 5.50 million MT in 2016. Due to availability of sufficient inventories, Government took an encouraging initiative and allowed export of 600,000 MTs of Urea. This initiative proved extremely favorable, generating highly coveted foreign exchange for the Country. CAN continued to increase its acceptance amongst the farmers. Offtake of CAN grew by 33% to close at 731K MT compared to 550K MT in 2016.

On the Phosphates side, due to favorable market prices, in 2017 DAP offtake was highest in the history, as it increased by 8% to close at 2.40 million MT. With 623K MT, Offtake of NP remained almost in line with last year.

Company Performance

The Company entered the year strengthened by laurels of 2016 where it achieved the highest ever volumes of production and sales. This year sales volumes further improved as the Company made history by comfortably beating last year sales volume by no less than 22.5%. The production was, however, slightly lower due to turnaround activity during the year.

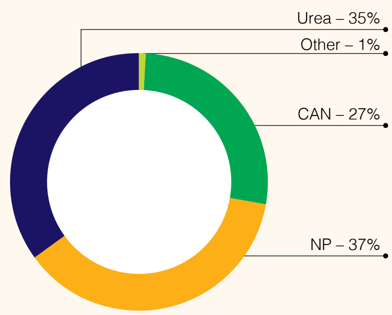
The outstanding sale volumes were achieved through robust campaigning for CAN and NP enabling the farmers to get extra benefits from usage of balanced nutrients.CAN was the star performer with highest ever sales volume, posting increase of 42%.

The Company exported 107,866MT of Urea, helping in generation of much needed foreign exchange for the Country.

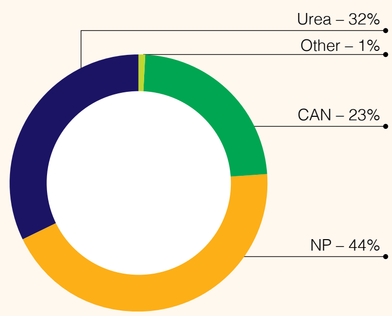
Financial Performance

The highest ever sales volumes garnered highest ever sales revenue as well. Revenue increase was, however, restricted to 11% due lower prices of fertilizer owing to stiff market competition through most of the year, coupled with reduction of Rs. 56 per bag on Urea subsidy by the Government. NP was the major contributor to the revenue with 37% share while Urea and CAN contributed 35% and 27% respectively.

Sales Mix – 2017



Sales Mix – 2016



Despite 22.5% increase in sale volumes, the cost of sales increased by only 9%. Resultantly, the Company achieved healthy gross profit amounting to Rs. 20.34 billion posting growth of 13% over Rs. 17.98 billion earned last year. The net profit achieved is the highest ever in Company's history clocking in at Rs. 10.59 billion, increasing by 8% over previous best of Rs. 9.78 billion achieved last year. Earnings per Share crossed the Rs. 5 per share mark for the first time ever to close at Rs. 5.05 per share against last year's Rs. 4.66 per share. In spite of severe pressures due to non-availability of gas at the subsidiary company, Fatimafert Ltd., consolidated Earnings per Share closed at Rs. 4.41 per share that is almost in line with Rs. 4.47 per share in 2016.

Operations

Plant performance remained excellent with focus on efficiency improvement, occupational health and safety and risk mitigation. Completion of further efficiency and reliability improvement projects has resulted in further improvement of the Energy Index. Ammonia plant is now consistently producing over 1,675 MTPD throughout the year.

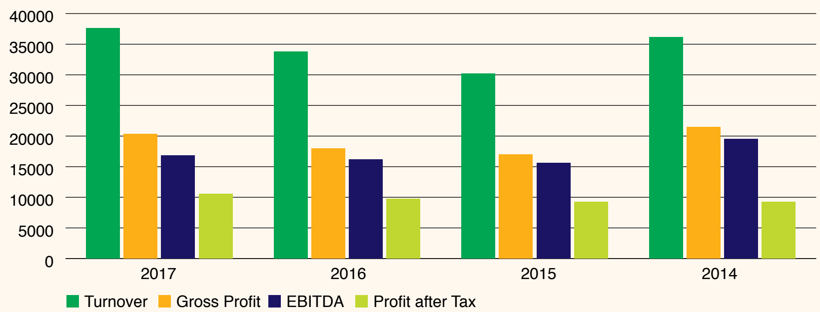
First Turnaround taken after 18 months' plant operations is another milestone achieved by your Company in 2017. The Turnaround was executed with minimum VSM's (Vendor Service Man) support, which resulted in substantial cost savings. With increasing plant reliability and management's resolve to achieve operational excellence, the next turnaround is planned after 24 months.

Financial Highlights

	2017		2016		2015		2014	
	PKR Million	% age	PKR Million	% age	PKR Million	% age	PKR Million	% age
Turnover	37,612		33,765		30,226		36,169	
Gross Profit	20,337	54.07	17,985	53.27	17,017	56.30	21,461	59.34
EBITDA	16,771	44.59	16,177	47.91	15,590	51.58	19,507	53.93
Profit after Tax	10,576	28.12	9,782	28.97	9,254	30.62	9,258	25.60
EPS (PKR)	5.04		4.66		4.41		4.41	

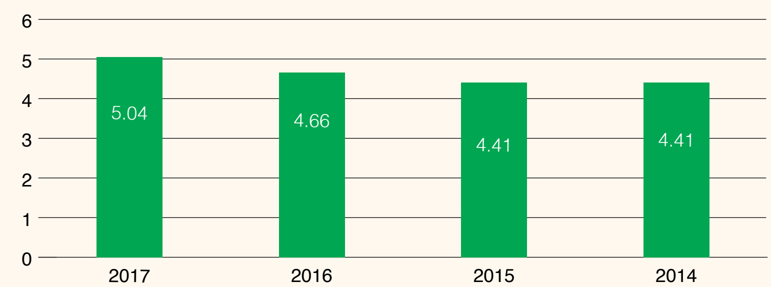
Financial Performance

Rupees in Million



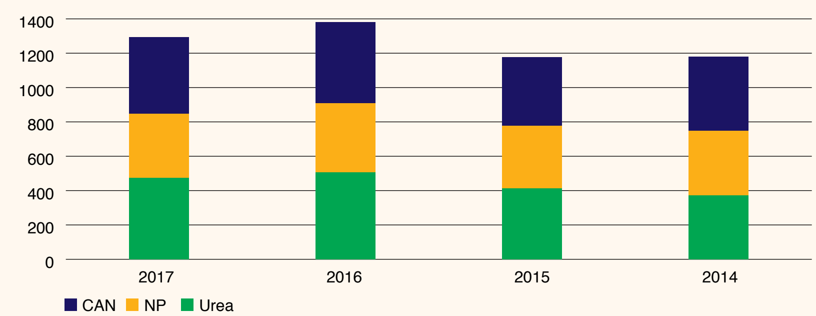
Earnings Per Share

Rupees



Production

Metric Tons in '000'



Directors' Report (Contd.)

Gross Profit

Due to fierce competition in the market and stagnant product prices during the first half of the year, 22.5% increase in volumes could translate into revenue increase of 11% only. However, due to improvement of plant efficiency, efficient utilization of resources and reduction in cost of some input materials, the Company achieved 13% increase in Gross Profit Margin.

Distribution and Administrative Cost

Distribution costs increased by 46% mainly due to higher transportation cost from increase in sale volumes and fuel cost and also increase in product promotion activities.

Being a responsible corporate citizen, the Company continues to contribute towards uplift of health and education sectors of the Country. During the year the Company contributed over 500 million in health sector and around Rs. 75 million towards education sector. With increase of 57% in CSR contributions, the Administrative expenses increased by 17% over last year.

Borrowing Cost

With reduction in both long term and short term borrowing cost, the finance cost during the year decreased by 20% to PKR 2.19 billion from PKR 2.74 billion last year. Markup on long term finance decreased by 7% due to repayments of facilities as per contractual obligations while markup on working capital lines reduced by a hefty 46% due to markup rates optimization and better cash flow generation from operations as a result of improved fertilizer off-take.

Capacity Utilization

Plant	2017	2016	2015	2014
Urea, CAN and NP	101%	108%	92%	92%

Appropriations

	PKR in '000
Un-appropriated profit brought forward	24,626,089
Dividend 2016	(4,200,000)
Net profit for the year 2017	10,576,014
Profit available for appropriations	31,002,103
Appropriations	–
Unappropriated profit carried forward	**31,002,103**

Dividends

The Board of Directors in its meeting held on March 27, 2018 has proposed a final Cash Dividend @ Rs. 2.25 per share i.e. 22.5% for approval of the members at the Annual General Meeting to be held on April 30, 2018.

The financial statements do not reflect this proposed dividend.

Financial Management

All the financial commitments falling due during the year were paid on time. With much improved cash generation from operations, the pressure on working capital subsided. At year end, the Company had more than Rs. 13.2 billion available in unutilized working capital lines from financial institutions as opposed to Rs. 6.8 billion available last year.

With extremely favorable gearing position, the Company is deliberating upon multiple options to maintain and enhance its sustainable growth besides exploring multiple avenues for future investments to enhance the value for its shareholders.

Consolidated Financial Results

On January 20, 2017, the shareholders of Bubber Sher (Pvt.) Limited (BSPL) – a wholly owned subsidiary of the Company unanimously approved to merge the entire undertaking of BSPL, along with its assets and liabilities with and into Fatimafert Limited (FFT) – another wholly owned subsidiary of the Company. The merger has been approved by the Honorable Lahore High Court on April 03, 2017. BSPL stands dissolved without winding up by the order of the Court.

During the year 2017, FFT's production remained depressed due to non-availability of Natural Gas. With limited operations, FFT produced 112,616 MT Urea against 359,935 MT produced last year. However, FFT did not miss out on the opportunity created by improving market dynamics for phosphatic fertilizer - DAP. During the year FFT sold 45,141 MT imported DAP against 32,974 MT sold last year.

کمپنی کی کارکردگی:

کمپنی کی پیداوار اور سیلز 2016ء کے مقابلے میں بہت بہتر رہی ہیں۔ اس سال فروخت کا حجم 22.5 فیصد رہا۔ تاہم پیداوار سست روی کا شکار رہی۔

CAN اور NP کیلئے بقایا فروخت کے حجم کو مہمات کے ذریعے حاصل کیا گیا اور کسانوں کو متوازن نیوٹرنٹس کے استعمال کے ذریعے اضافی فائدہ اُٹھانے کے قابل بنایا گیا۔

CAN کی وجہ سے سیلز میں 42 فیصد اضافہ ہوا۔ کمپنی نے 107,866 میٹرک ٹن یوریا کھاد ایکسپورٹ کی جسے ملک میں غیر ملکی زرمبادلہ میں اضافہ ہوا۔

مالی کارکردگی:

فروخت میں اضافے سے منافع میں بھی بہتری آئی۔ منافع میں اضافہ تو ہوا تاہم یہ منافع 11 فیصد تک محدود رہا جس کی وجہ مارکیٹ میں کھاد کی قیمتوں میں کمی، مقابلہ میں اضافہ اور حکومت کی جانب سے فی بوری یوریا کھاد پر مبلغ 56 روپے کی سبسڈی ہے۔ NP نے منافع میں 37 فیصد اضافہ کیا جبکہ یوریا اور CAN نے بالترتیب 35 فیصد اور 27 فیصد حصہ ڈالا ہے۔

فروخت کے حجم میں 22.5 فیصد اضافہ کے باوجود فروخت کی قیمت میں صرف 9 فیصد اضافہ ہوا۔ جس کے نتیجہ میں کمپنی نے مبلغ 20.34 بلین مجموعی منافع کمایا جبکہ گزشتہ سال یہ منافع مبلغ 17.98 بلین تھا لہٰذا اس سال اس منافع میں 13 فیصد اضافہ ہوا۔ کمپنی کا مجموعی منافع مبلغ 10.59 بلین رہا جبکہ گزشتہ سال یہ منافع 9.78 فیصد رہا لہٰذا اس سال مجموعی منافع میں 8 فیصد اضافہ ہوا جو کہ کمپنی کی تاریخ میں سب سے زیادہ منافع سمجھا جا رہا ہے۔ گزشتہ سال فی شیئر آمدن 4.66 تھی جو کہ اس سال 5.5 فی شیئر ہو گئی اور یہ پہلی دفعہ ہے کہ یہ مبلغ 5 روپے فی شیئر سے بڑھ گئی ہے۔ گیس کی عدم دستیابی کے باوجود بھی فاطمہ فرٹیلائزر کی مجموعی فی شیئر آمدن گزشتہ سال 2016ء میں 4.47 کے قریب ترین 4.41 رہی ہے۔

مجموعی مالی نتائج:

20 جنوری 2017ء کو ببر شیر پرائیویٹ لمیٹڈ (BSPL) جو مکمل طور پر کمپنی کی ملکیت کا ماتحت ادارہ ہے، کے شیئر ہولڈرز نے مشترکہ طور پر BSPL بشمول اثاثہ جات اور ذمہ داریاں فاطمہ فرٹ (FFT) جو کمپنی کی ملکیت کا ایک الگ ماتحت ادارہ ہے، کے ساتھ ضم کرنے کی منظوری دی۔ یہ اشتراک معزز لاہور ہائی کورٹ نے 3 اپریل 2017ء کو منظور کیا۔ BSPL ختم ہوئے بغیر کورٹ کے فیصلے سے تحلیل ہو چکی ہے۔

سال 2017ء میں FFT کی پیداوار قدرتی گیس کی عدم موجودگی کے باعث محدود رہی۔ محدود آپریشن کی بدولت FFT نے پچھلے سال کے 359,935 میٹرک ٹن پیداوار کے برعکس 112,616 میٹرک ٹن یوریا کی پیداوار کی لیکن FFT نے فاسفیٹک کھاد۔ DAP میں مارکیٹ کی تحریک نے بہتری کے موقع کو ہاتھ سے جانے نہ دیا۔ سال کے دوران پچھلے سال کے 32,974 میٹرک ٹن کی نسبت 45,141 میٹرک ٹن درآمد کیا گیا DAP فروخت کیا۔

سال 2017ء کے مجموعی مالی نتائج کی تفصیل درج ذیل ہے۔

	ملین کے حساب سے پاکستانی روپوں میں
فروخت	45,371
مجموعی منافع	18,686
ٹیکس سے قبل منافع	10,120
ٹیکس کے بعد منافع	9,268

مستقبل کا لائحہ عمل:

کمپنی پہلے سے ہی عالمی معیار کے مطابق سستی اور پائیدار پیداوار کرنے والی فیکٹری میں بہتری لانے کیلئے پرعزم ہے۔ امونیا کی بہتری میں سرمایہ کاری اور Debottlenecking پراجیکٹ امید سے بہتر نتائج دے رہا ہے۔ پلانٹ کی کارکردگی میں بہتری اور عوام کے اعتبار کی بدولت کمپنی کو انرجی انڈکس میں بہتری اور ایندھن کی بہتر کھپت جیسے فوائد مل رہے ہیں جس سے کمپنی کی بچت میں خاطر خواہ اضافہ ہوا ہے۔

حکومت کی کسان دوست پالیسی میں تسلسل سے کھاد کی آف ٹیک میں 2018ء میں بہتری کی توقع ہے۔ قومی اور بین الاقوامی مارکیٹ میں کھاد کی قیمت فرم کیلئے مستحکم رہنے کی توقع ہے۔

فاطمہ بہتر پیداوار، پلانٹ کی کارکردگی، مصنوعات کی فہرست کی دستیابی اور استحکام کی بدولت فارموں کو ضروری غذائیات کی فراہمی میں اپنا کردار ادا کرنے کیلئے پرعزم ہے۔ کمپنی کی مسلسل آمدنی اور اس کی آمدن کے ذرائع بڑھانے کی جانب حکمت عملی کی بدولت آمدن میں اضافہ اور سٹیک ہولڈرز کی 2018ء اور اس کے بعد کے دورانیہ میں شیئر کی قدر میں اضافہ متوقع ہے۔

Directors' Report (Contd.)

Summary of consolidated financial results for the year 2017 are as follows:

	PKR in Million
Sale	45,371
Gross Profit	18,686
Profit Before Tax	10,120
Profit After Tax	9,268

Financial Highlights

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

Contribution to National Exchequer and Economy

An amount of PKR 5.99 Billion (2016: PKR 6.78 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 15.92% (2016: 19.8%) of total revenue back to the Economy.

Statement as to the Value of Investment of Provident Fund

The value of the investment of the provident fund is PKR 500.422 Million. The figure is unaudited for the year under review.

Investment Plans

Investment in Midwest Fertilizer Company

With all necessary approvals from Economic Coordination Committee (ECC) of the National Cabinet and the State Bank of Pakistan in place, the Company plans to make an Equity Investment of USD 300 Million in the US nitrogen fertilizer 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.

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, the Company will seek all the required approvals for its future investments in one or more projects.

Future Outlook

The Company is committed to continuing improvements in its production site already a World-Class manufacturing facility with highest degree of cost efficient and sustainable operations. Investment in Ammonia Revamp and Debottlenecking Project is giving better than expected results. Improvement of Plant efficiency and reliability has started giving dividends to the Company in terms of improved Energy Index of Ammonia Plant and better Fuel Gas consumption resulting in considerable savings for the Company.

With continuity of farmer friendly Government policies, fertilizer off take situation is expected to improve in 2018. Fertilizer prices both in local and international markets are expected to remain stable to firm. 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 2018 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. The Directors are pleased to report that:

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

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

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

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

- **e)** The system of internal control is sound in design and has been effectively implemented and monitored;
- **f)** There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations; and
- **g)** There are no significant doubts upon the Company's ability to continue as a going concern.

Changes in the Board

Ms. Anja Elisabeth Nielsen from Haldor Topsoe joined the Board on July 13, 2017 to fill in the causal vacancy arising from the resignation of Mr. Peter Vang Christensen.

Changes in the Audit Committee

During the year under review, Ms. Anja Elisabeth Nielsen was appointed as a member of the Board Audit Committee in place of Mr. Peter Vang Christensen.

Changes in the Human Resource and Remuneration Committee

During the year under review, Ms. Anja Elisabeth Nielsen was appointed as a member of HR and Remuneration Committee in place of Mr. Peter Vang Christensen.

Board Meetings held outside Pakistan

All the meetings of the Board of Directors of the Company were held in Pakistan during the year 2017.

Board and Committees' Meetings and Attendance

During the year under review, seven meetings of the Board of Directors and four meetings of Audit Committee were held from January 01, 2017 to December 31, 2017. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings
Mr. Arif Habib	7	N/A
Mr. Fawad Ahmed Mukhtar	6	N/A
Mr. Fazal Ahmed Sheikh	6	N/A
Mr. Faisal Ahmed Mukhtar	3	1
Mr. M. Abad Khan	6	4
Mr. Muhammad Kashif Habib	5	4
Mr. Peter Vang Christensen	1	0
Mr. Tariq Jamali	2	0
Ms. Anja Elisabeth Nielsen	4	1

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

Trading in Shares of the Company by Directors and Executives

Name	Shares Bought	Shares Sold
Mr. Arif Habib	-	9,785,666 *
Mrs. Zetun Arif Habib	-	23,619,848 *
Mr. Kashif Habib	11,135,171 *	-
Mr. Muhammad Aamer	-	5,500
Mr. Muhammad Naveed	-	2,000
Mr. Javed Akhtar	-	8,000
Mr. Nadeem Shah	6,000	-
Mr. Omair Bokhari	-	500
Ms. Faiza Naveed	2,000	-
Mr. Muhammad Hanif	4,000	-
Mr. Javed Iqbal	-	67,500

* Transferred via Gift Deed

Pattern of Shareholding

The pattern of shareholding and categories of shareholders as at December 31, 2017, as required under the Pakistan Stock Exchange Regulations, have been annexed herewith along with the Proxy Form.

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

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has 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. The ratings reflect strong business profile of the Company on the back of diversified product mix with very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Internal Audit

Internal Audit function is effectively operating within the framework set out in Code of Corporate Governance and the charter defined by the Audit Committee of the Board of Directors. The Internal Audit function is progressing from a conventional function into a business partner and advisory role through proactive approach towards effective corporate governance through risk mitigation, adding value within the business process and creating synergies at the group level. The board relies on the inputs and recommendations of the internal audit function through its Audit committee on the adequacy and effectiveness of internal controls in the organization and takes appropriate measures.

The function is effectively utilizing risk control matrices, to prioritize and develop its annual plan and to strengthen the internal controls through periodic reviews of all the functions / processes in the organization. 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 by 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 15th Annual General Meeting, as auditors of the Company for the year ending December 31, 2018 at a fee to be mutually agreed.

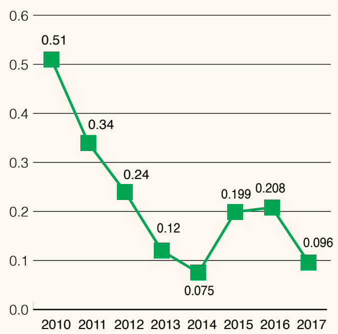
Health, Safety and Environment

HSE performance of Fatima Plant remained excellent during the review period. Plant completed year 2017 with total recordable incident rate (TRIR) of 0.096 against a target of 0.2 and completed over 42 million safe working hours, which is a record in domestic fertilizer industry.

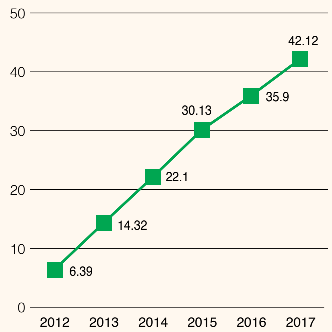
During this period, a major Plant Turnaround was also completed without any lost time injury. The Plant also achieved Excellence level in DuPont Safety Ratings which makes this Plant second in the Country to do so. ZERO recordable injury was achieved in last 4-months. Strong commitment of Plant Team to HSE has enabled it to achieve this standard.

Leading indicators and Management Safety Audit (MSA) criteria were updated in line with site requirement and new revamped "Permit to work" system implemented successfully. Plant also achieved Gold RoSPA Award (UK) & British Safety

Total Rocordable Incident Rate (TRIR)



Safe Million Man Hours



Council Award. Plant also paid attention to environment and no major environment complaint was received. New Eco Parks at Fatima Township was completed to improve environment.

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

Information Technology

Information Technology Division (ITD) continues to be a key component in how we support Fatima and provides an extensive range of computing and communication services, facilities and infrastructure for use by its employees. The ITD is aligned to the business needs of the organization, ensuring that the solutions delivered are relevant to the needs of the business. Our Vision 2022 involves strengthening decision making, using improved analytics and dashboards capability and as a strategy will focus on mobile applications, reduce paper footprint and increase its reach to farmers by deploying latest technology and help grow business using Precision Agriculture.

Sustainability Initiatives and CSR

Fatima is uniquely positioned to add value in the lives of consumers and stakeholders. From education to health to clean water campaign and more, the Company is reaching to a wider circle of beneficiaries. We are expanding our efforts to provide better education to the children of the nearby villages, empower young women with vocational training skills and continue to bring stability through better healthcare facilities in the area.

Human Resource Management and Employees Relations

Fatima Groups strategy involves diversifying our employee base and targeting young talent in universities across Pakistan. The recruitment team engages talents from LUMS, LSE, IBA, GIKI, FAST, NUST, KSBL and more through our well received recruitment drives.

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 27, 2018

Key Performance Indicators

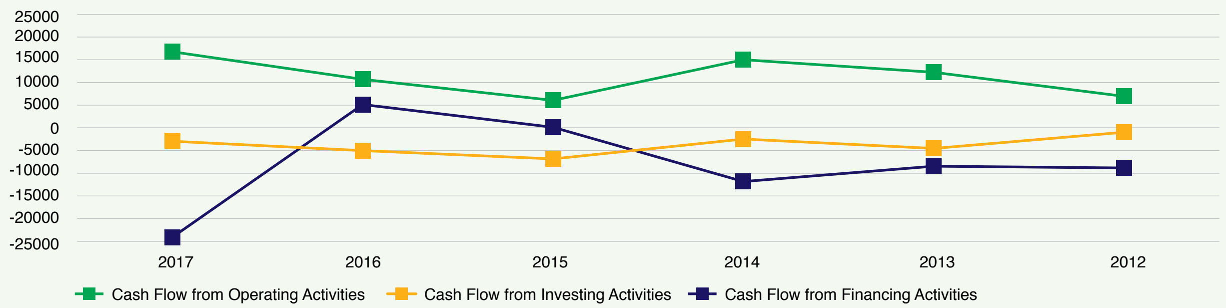
	Unit	2017	2016	2015	2014	2013	2012
PROFITABILITY							
Gross profit	%	54.07	53.27	56.30	59.33	58.85	58.49
EBITDA	%	44.59	47.91	51.58	53.93	53.80	55.35
Operating profit	%	39.71	42.55	46.08	49.53	49.23	50.32
Profit before tax	%	33.86	34.43	38.21	39.12	36.78	30.76
Net profit	%	28.12	28.97	30.61	25.60	23.95	20.70
Return on equity	%	19.68	20.65	23.00	25.19	24.49	21.11
Return on capital employed	%	16.39	15.35	17.33	17.11	14.48	10.38
Return on total assets	%	10.65	8.84	9.76	11.14	10.02	8.04
LIQUIDITY / ACTIVITY							
Current ratio	Times	1.10	1.03	0.66	0.97	0.81	0.68
Quick / Acid test Ratio	Times	0.90	0.83	0.39	0.79	0.63	0.47
Debt to Assets	Times	0.46	0.57	0.58	0.56	0.59	0.62
Cash from Operations to Sales	Times	0.45	0.32	0.20	0.41	0.37	0.24
Inventory turnover	Times	3.44	2.38	2.73	5.46	5.29	6.58
Stock holding period	Days	106.24	153.61	133.80	66.80	68.98	55.45
Fixed assets turnover	Times	0.48	0.43	0.41	0.53	0.49	0.43
Total assets turnover	Times	0.36	0.33	0.34	0.44	0.43	0.39
CAPITAL STRUCTURE							
Debt : equity		23:77	32:68	33:67	39:61	47:53	52:48
Interest cover	Times	6.79	5.24	5.85	4.76	3.96	2.57
Financial leverage	Times	0.34	0.63	0.75	0.66	0.94	1.27
Debt service coverage	Times	2.17	1.69	1.78	2.01	2.18	1.86
Total liabilities to net worth	Times	0.85	1.33	1.36	1.26	1.44	1.63
Weighted average cost of debt	%	6.80	7.38	9.53	11.38	11.98	14.83
INVESTMENT / MARKET							
Market price per share	Rs	30.88	36.89	44.73	35.77	28.56	26.40
Book value per share	Rs	25.59	22.56	19.16	17.50	15.60	13.78
Market to book value per share	Times	1.21	1.64	2.33	2.04	1.83	1.92
Earnings per share	Rs	5.04	4.66	4.41	4.41	3.82	2.86
Price earning	Times	6.13	7.92	10.15	8.11	7.48	9.24
Dividend per share	Rs	2.25	3.25	–	2.75	2.50	2.00
Dividend cover	%	223.83	143.33	–	160.31	152.80	142.78
Dividend yield	%	7.29	8.81	–	7.69	8.75	7.58
Dividend payout	%	44.68	69.77	–	62.38	65.44	70.04

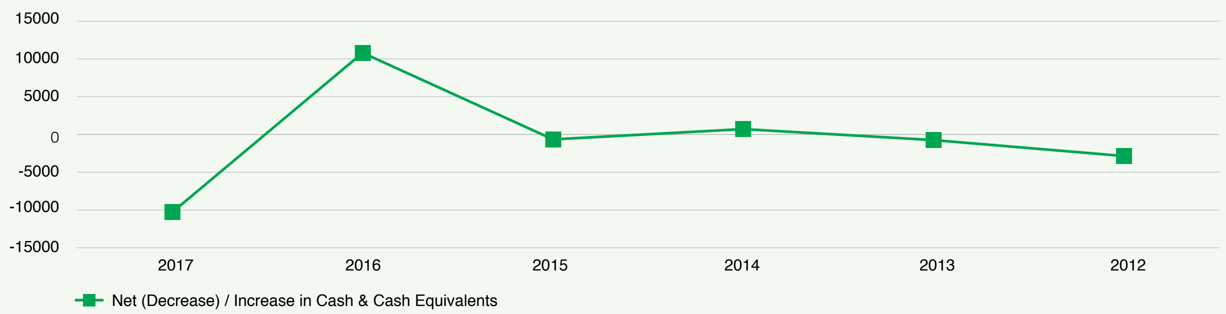
Cash Flows Summary

PKR in Million	2017	2016	2015	2014	2013	2012
Cash Flows From Operating Activities						
Cash generated from operations	20,895	14,639	9,748	19,438	18,725	13,770
Net increase in long term deposits	1	18	–	–	–	–
Finance costs paid	(2,290)	(2,754)	(2,498)	(3,891)	(5,865)	(6,532)
Taxes paid	(1,795)	(1,183)	(1,177)	(528)	(614)	(285)
Employee retirement benefits paid	(57)	(37)	(19)	(18)	(14)	(12)
Net Cash from Operating Activities	16,754	10,682	6,054	15,000	12,231	6,941
Cash Flows From Investing Activities						
Fixed capital expenditure	(1,906)	(2,237)	(5,520)	(2,814)	(1,584)	(949)
Proceeds from disposal of property, plant and equipment	2	1	–	–	–	–
Long term investments	–	(132)	(2,021)	(1)	–	(85)
Long term loan to associated company - net	–	(799)	800	–	(3,000)	–
Short term loans	(1,518)	(1,949)	(500)	–	–	–
Short term investment	–	(200)	–	–	–	–
Net proceeds from disposal of short term investments	–	–	–	–	39	–
Profit received on loans and saving accounts	458	415	409	352	11	76
Net decrease / (increase) in long term loans and deposits	16	(111)	(5)	(3)	1	(6)
Net Cash Used in Investing Activities	(2,948)	(5,012)	(6,837)	(2,466)	(4,532)	(965)
Cash Flows From Financing Activities						
Redemption of preference shares	–	–	–	–	–	(2,000)
Repayment of long term finances	(5,518)	(15,747)	(6,375)	(5,875)	(4,085)	(16,879)
Proceeds from long term finance	–	17,628	2,645	1,000	1,562	10,498
Repayment of / proceed from oversubscribed sukuk	(8,093)	8,093	–	–	–	–
Dividend paid - ordinary shares	(4,200)	(2,620)	(5,770)	(5,246)	(4,197)	(2,993)
- Preference shares	–	–	–	–	(1,337)	(149)
Decrease / (increase) in short term finance - net	(6,285)	(2,218)	9,630	(1,703)	(388)	2,690
Net cash (used in) / from - financing activities	(24,096)	5,136	130	(11,824)	(8,445)	(8,832)
Net (decrease) / increase in cash and cash equivalents	(10,290)	10,805	(654)	711	(746)	(2,855)
Cash and cash equivalents at beginning of the year	11,100	295	949	238	984	3,839
Cash and cash equivalents at end of the year	810	11,100	295	949	238	984

Cash Flows from Operating, Investing and Financing Activities

Rupees in Million





Vertical Analysis

Balance Sheet

	2017		2016		2015		2014		2013		2012	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Non current assets												
Property, plant and equipment	72,990	73. 5%	72,941	66.0%	73,409	77.4%	68,823	82.8%	67,588	84.4%	67,545	88.9%
Intangible assets	38	–	18	–	26	–	30	–	43	0.1%	34	–
Long term investments	2,238	2.3%	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	3.0%	2,999	2.7%	2,200	2.3%	–	–	–	–	–	–
Long term deposits	114	0.1%	130	0.1%	19	–	13	–	10	–	11	–
Total non current assets	78,380	78.9%	78,327	70.8%	77,760	82.0%	68,952	83.0%	67,726	84.6%	67,676	89.0%
Current assets												
Stores and spares	4,745	4.8%	4,972	4.5%	4,460	4.7%	4,090	4.9%	3,850	4.8%	3,231	4.3%
Stock in trade	3,814	3.8%	6,243	5.6%	7,003	7.4%	2,681	3.2%	2,702	3.4%	2,508	3.3%
Trade debts	1,796	1.8%	2,116	1.9%	335	0.4%	448	0.5%	99	0.1%	138	0.2%
Short term loans	3,967	4.0%	2,449	2.2%	500	0.5%	3,000	3.6%	3,000	3.7%	–	–
Advances, deposits, prepayments and others	5,627	5.7%	5,191	4.7%	4,436	4.7%	3,000	3.6%	2,456	3.1%	1,468	1.9%
Short term investment	198	0.2%	200	0.2%	–	–	–	–	–	–	–	–
Cash and bank balances	810	0.8%	11,100	10.0%	295	0.3%	949	1.1%	238	0.3%	984	1.3%
Total current assets	20,957	21.1%	32,271	29.2%	17,029	18.0%	14,169	17.0%	12,346	15.4%	8,329	11.0%
Total assets	99,336	100%	110,597	100.0%	94,789	100%	83,121	100%	80,072	100%	76,005	100%
Capital and reserves												
Issued, subscribed and paid up capital	21,000	21.1%	21,000	19.0%	21,000	22.2%	21,000	25.3%	21,000	26.2%	21,000	27.6%
Reserve	32,742	33.0%	26,374	23.8%	19,229	20.3%	15,757	19.0%	11,759	14.7%	7,948	10.5%
Total capital and reserves	53,742	54.1%	47,374	42.8%	40,229	42.4%	36,757	44.2%	32,759	40.9%	28,948	38.1%
Non current Liabilities												
Long term finances	10,774	10.8%	16,343	14.8%	13,168	13.9%	17,335	20.9%	22,647	28.3%	27,024	35.6%
Deferred liabilities	15,764	15.9%	15,642	14.1%	15,412	16.3%	14,421	17.3%	9,391	11.7%	4,844	6.4%
Long term deposits	51	–	51	–	33	–	33	–	–	–	–	–
Total non current liabilities	26,589	26.8%	32,035	29.0%	28,613	30.2%	31,789	38.2%	32,038	40.0%	34,785	45.8%
Current liabilities												
Trade and other payables	11,460	11.5%	17,399	15.7%	8,646	9.1%	7,341	8.8%	6,651	8.3%	4,997	6.6%
Accrued finance cost	168	–	259	0.2%	260	0.3%	259	0.3%	383	0.5%	499	0.7%
Short term finances – secured	1,726	1.7%	8,011	7.2%	10,229	10.8%	600	0.7%	2,303	2.9%	2,690	3.5%
Current portion of long term finances	5,652	5.7%	5,518	5.0%	6,812	7.2%	6,375	7.7%	5,938	7.4%	4,085	5.4%
Total current liabilities	19,005	19.1%	31,188	28.2%	25,948	27.4%	14,575	17.5%	15,275	19.1%	12,272	16.1%
Total liabilities and equity	99,336	100%	110,597	100.0%	94,789	100.0%	83,121	100.0%	80,072	100.0%	76,005	100%

Horizontal Analysis

Balance Sheet

	2017	17' vs 16'	2016	16' vs 15'	2015	15' vs 14'	2014	14' vs 13'	2013	13' vs 12'	2012	12' vs 11'
PKR in Million	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**
Non current Assets												
Property, plant and equipment	72,990	0.1%	72,941	-0.6%	73,409	6.7%	68,823	1.8%	67,588	0.1%	67,545	-0.8%
Intangible assets	38	113.3%	18	-32.1%	26	-12.3%	30	-29.6%	43	26.1%	34	–
Long term investments	2,238	–	2,238	6.3%	2,106	2354.9%	86	0.7%	85	–	85	–
Long term loan to associated company	2,999	–	2,999	36.3%	2,200	–	–	–	–	–	–	–
Long term deposits	114	-12.0%	130	600.8%	19	39.5%	13	29.6%	10	-9.8%	11	107.3%
Total non current assets	78,380	0.1%	78,327	0.7%	77,760	12.8%	68,952	1.8%	67,726	0.1%	67,676	-0.7%
Current assets												
Stores and spares	4,745	-4.6%	4,972	11.5%	4,460	9.0%	4,090	6.2%	3,850	19.2%	3,231	67.3%
Stock in trade	3,814	-38.9%	6,243	-10.9%	7,003	161.2%	2,681	-0.8%	2,702	7.7%	2,508	106.4%
Trade debts	1,796	-15.1%	2,116	531.5%	335	-25.3%	448	352.0%	99	-28.4%	138	-29.3%
Short term loans	3,967	62.0%	2,449	389.8%	500	-83.3%	3,000	–	3,000	–	–	–
Advances, deposits, prepayments and others	5,627	8.4%	5,191	17.0%	4,436	47.9%	3,000	22.2%	2,456	67.3%	1,468	40.4%
Short term investment	198	-1.2%	200	–	–	–	–	–	–	–	–	–
Cash and bank balances	810	-92.7%	11,100	3660.1%	295	-68.9%	949	298.2%	238	-75.8%	984	-74.4%
Total current assets	20,957	-35.1%	32,271	89.5%	17,029	20.2%	14,169	14.8%	12,346	48.2%	8,329	1.3%
Total assets	99,336	-10.2%	110,597	16.7%	94,789	14.0%	83,121	3.8%	80,072	5.4%	76,005	-0.4%
Capital and reserves												
Issued, subscribed and paid up capital	21,000	–	21,000	–	21,000	–	21,000	–	21,000	–	21,000	5.0%
Reserves	32,742	24.1%	26,374	37.2%	19,229	22.0%	15,757	34.0%	11,759	48.0%	7,948	96.1%
Total capital and reserves	53,742	13.4%	47,374	17.8%	40,229	9.4%	36,757	12.2%	32,759	13.2%	28,948	3.2%
Non current liabilities												
Long term finances	10,774	-34.1%	16,343	24.1%	13,168	-24.0%	17,335	-23.5%	22,647	-16.2%	27,024	-21.6%
Deferred liabilities	15,764	0.8%	15,642	1.5%	15,412	6.9%	14,421	53.6%	9,391	93.9%	4,844	167.8%
Dividend and markup payable to related parties	–	–	–	–	–	–	–	–	–	–	2,918	31.6%
Long term deposits	51	1.0%	51	53.8%	33	–	33	–	–	–	–	–
Total non current liabilities	26,589	-17.0%	32,035	12.0%	28,613	-10.0%	31,789	-0.8%	32,038	-7.9%	34,785	-9.6%
Current liabilities												
Trade and other payables	11,460	-34.1%	17,399	101.2%	8,646	17.8%	7,341	10.4%	6,651	33.1%	4,997	7.4%
Accrued finance cost	168	-35.3%	259	-0.2%	260	0.4%	259	-32.5%	383	-23.2%	499	-73.6%
Short term finances – secured	1,726	-78.5%	8,011	-21.7%	10,229	1606.1%	600	-74.0%	2,303	-14.4%	2,690	–
Current portion of long term finances	5,652	2.4%	5,518	-19.0%	6,812	6.9%	6,375	7.4%	5,938	45.3%	4,085	34.7%
Total current liabilities	19,005	-39.1%	31,188	20.2%	25,948	78.0%	14,575	-4.6%	15,275	24.5%	12,272	25.1%
Total liabilities and equity	99,336	-10.2%	110,597	16.7%	94,789	14.0%	83,121	3.8%	80,072	5.4%	76,005	-0.4%

Vertical Analysis

Profit and Loss Account

	2017		2016		2015		2014		2013		2012	
PKR in Million	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Sales	37,612	100.0%	33,765	100.0%	30,226	100.0%	36,169	100.0%	33,496	100.0%	29,519	100.0%
Cost of Sales	(17,275)	-45.9%	(15,780)	-46.7%	(13,209)	-43.7%	(14,708)	-40.7%	(13,785)	-41.2%	(12,252)	-41.5%
Gross Profit	20,337	54.1%	17,985	53.3%	17,017	56.3%	21,461	59.3%	19,711	58.9%	17,266	58.5%
Distribution Cost	(3,482)	-9.3%	(2,383)	-7.1%	(1,782)	-5.9%	(1,449)	-4.0%	(1,430)	-4.3%	(1,234)	-4.2%
Administrative Expenses	(1,534)	-4.1%	(1,308)	-3.9%	(1,021)	-3.4%	(1,346)	-3.7%	(1,076)	-3.2%	(739)	-2.5%
	15,321	40.7%	14,294	42.3%	14,214	47.0%	18,666	51.6%	17,205	51.4%	15,293	51.8%
Finance Cost	(2,198)	-5.8%	(2,739)	-8.1%	(2,379)	-7.9%	(3,767)	-10.4%	(4,169)	-12.5%	(5,774)	-19.6%
Other Operating Expenses	(913)	-2.4%	(631)	-1.9%	(861)	-2.9%	(1,374)	-3.8%	(1,010)	-3.0%	(506)	-1.7%
	12,209	32.5%	10,924	32.4%	10,974	36.3%	13,525	37.4%	12,026	35.9%	9,013	30.5%
Other Operating Income	527	1.4%	702	2.1%	574	1.9%	624	1.7%	295	0.9%	67	0.2%
Profit Before Tax	12,736	33.9%	11,626	34.4%	11,548	38.2%	14,149	39.1%	12,321	36.8%	9,081	30.8%
Taxation	(2,160)	-5.7%	(1,844)	-5.5%	(2,294)	-7.6%	(4,891)	-13.5%	(4,298)	-12.8%	(2,969)	-10.1%
Profit for the year	10,576	28.1%	9,782	28.9%	9,254	30.6%	9,258	25.6%	8,022	23.9%	6,111	20.7%

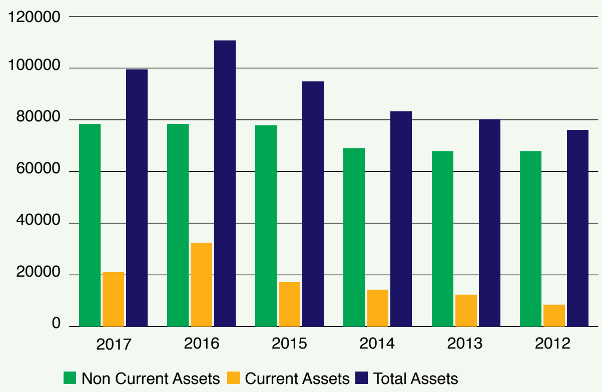
Horizontal Analysis

Profit and Loss Account

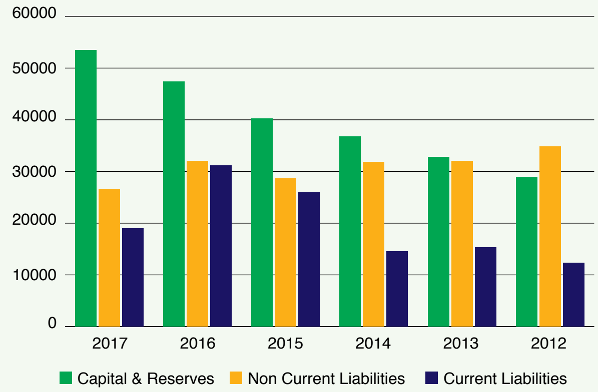
	2017	17'vs16	2016	16'vs15	2015	15'vs14	2014	14'vs13	2013	13'vs12	2012
PKR in Million	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Sales	37,612	11.4%	33,765	11.7%	30,226	-16.4%	36,169	8.0%	33,496	13.5%	29,519
Cost of Sales	(17,275)	9.5%	(15,780)	19.5%	(13,209)	-10.2%	(14,708)	6.7%	(13,785)	12.5%	(12,252)
Gross Profit	20,337	13.1%	17,985	5.7%	17,017	-20.7%	21,461	8.9%	19,711	14.2%	17,266
Distribution Cost	(3,482)	46.1%	(2,383)	33.7%	(1,782)	23.0%	(1,449)	1.3%	(1,430)	15.9%	(1,234)
Administrative Expenses	(1,534)	17.2%	(1,308)	28.1%	(1,021)	-24.1%	(1,346)	25.1%	(1,076)	45.7%	(739)
	15,321	7.2%	14,294	0.6%	14,214	-23.9%	18,666	8.5%	17,205	12.5%	15,293
Finance Cost	(2,198)	-19.8%	(2,739)	15.1%	(2,379)	-36.8%	(3,767)	-9.7%	(4,169)	-27.8%	(5,774)
Other Operating Expenses	(913)	44.8%	(631)	-26.7%	(861)	-37.4%	(1,374)	36.0%	(1,010)	99.6%	(506)
	12,209	11.8%	10,924	-0.5%	10,974	-18.9%	13,525	12.5%	12,026	33.4%	9,013
Other Operating Income	527	-25.0%	702	22.3%	574	-8.0%	624	111.7%	295	340.0%	67
Profit Before Tax	12,736	9.6%	11,626	0.7%	11,548	-18.4%	14,149	14.8%	12,321	35.7%	9,081
Taxation	(2,160)	17.1%	(1,844)	-19.6%	(2,294)	-53.1%	(4,891)	13.8%	(4,298)	44.8%	(2,969)
Profit for the year	10,576	8.1%	9,782	5.7%	9,254	-0.1%	9,258	15.4%	8,022	31.3%	6,111

Graphical Presentation

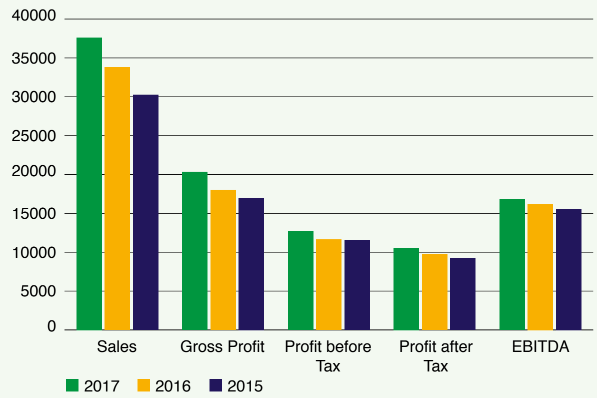
Balance Sheet Analysis (Assets)
Rupees in Million



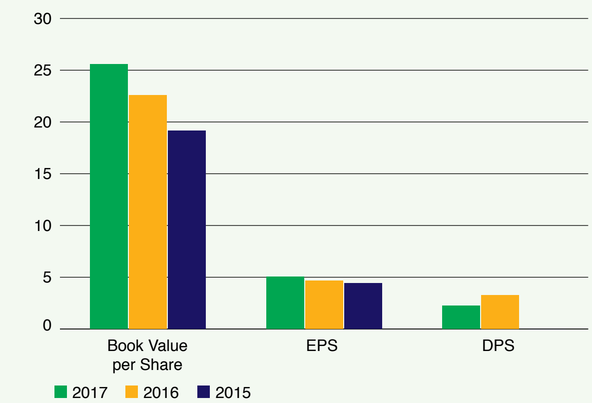
Balance Sheet Analysis (Equity & Liabilities)
Rupees in Million



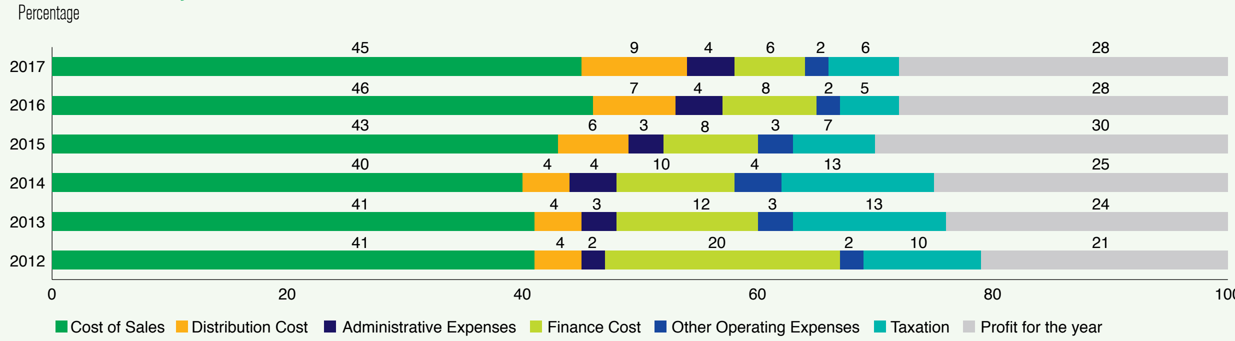
Sales & Margin
Rupees in Million



Book Value, Earnings & Dividend Per Share
Rupees



Profit and Loss Analysis
Percentage

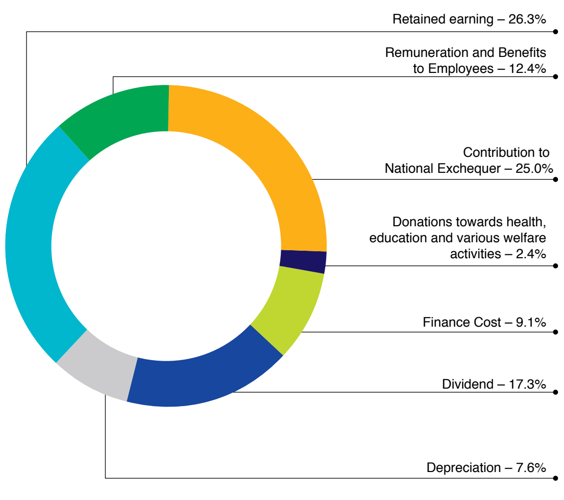


Wealth Creation and Distribution

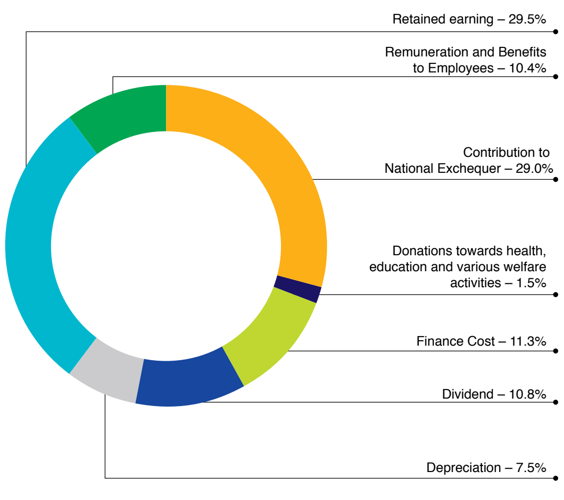
	2017		2016	
Wealth Generated	**PKR Million**	**%**	**PKR Million**	**%**
Sales Including GST	41,523	171.1%	38,960	160.5%
Other Income	527	2.2%	703	2.9%
	42,050	173.3%	39,663	163.4%
Materials & Services Bought In	17,779	73.3%	15,389	63.4%
Value Addition	24,271	100.0%	24,274	100.0%

Wealth Distributed	**PKR Million**	**%**	**PKR Million**	
Remuneration & Benefits to Employees	3,002	12.4%	2,529	10.4%
Contribution to National Exchequer (Income Tax and Sales Tax)	6,072	25.0%	7,040	29.0%
Donations towards health, education and various welfare activities	586	2.4%	373	1.5%
Finance Cost	2,198	9.1%	2,739	11.3%
Dividend on ordinary and preference shares	4,200	17.3%	2,625	10.8%
Retained for future growth:				
Depreciation	1,837	7.6%	1,811	7.5%
Retained earning	6,376	26.3%	7,157	29.5%
	24,271	100.0%	24,274	100.0%

2017 Percentage



2016 Percentage



SWOT Analysis

S
STRENGTHS

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

W
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.

O
OPPORTUNITIES

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

T
THREATS

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

Corporate Governance

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 Risk: 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.

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

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

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

Risk Mitigation Strategies:
The Company's Risk Mitigation Strategy includes reduction of the likelihood that a risk event will occur and/or reduction of the impact of a risk event if it does occur. For this purpose, an Enterprise Risk Management function within Internal Audit Division is operating to oversee all the business risks and develop mitigation strategies.

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

Queries of the shareholders were properly addressed on the Company's published audited financial statements during the 14th Annual General Meeting held on April 25, 2017 and no significant issued 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	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	Financing requirements are met for expansion projects
Customers	1. Enhance farmer knowledge base about technological advancements in Agri sector 2. Educate farmer about potential benefits of balanced fertilizer use	1. Farmer call center 2. Farmer education events 3. Demonstration plots 4. Corporate website 5. Effective reward system place for customers and distributors 6. Office meetings	1. Continuous 2. Occasionally 3. Continuous 4. Continuous 5. Occasionally 6. Occasionally	1. Valuable feedback helps in understanding what farmers want 2. Helps in bridging the gap between farmer and Company
Media	To benefit from the most effective means of communication with our customers and other stakeholders	1. Advertisements through print and electronic media campaigns 2. Announcements through Company website and social media	1. Continuous 2. Continuous	1. Helps in building Company's image, resulting in maximizing shareholders wealth 2. Engagement of all stakeholders
Employees		1. Sale and other events 2. Cultural activities 3. Trainings 4. Workshops	1. Annually 2. Occasionally 3. Annually 4. As and when required	Satisfied and engaged employees become valuable assets for the Company resulting in higher efficiency and productivity
Shareholders / 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

Corporate Governance

Investor Relations Section on the Corporate Website

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

Annual Report Accessibility

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

Investor Grievance Policy

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

Process:

1. All investor grievances received are handled by an Investor Relations Officer at the Corporate Head Office. An email Id i.e. investor.relations@fatima-group.com has been created for this purpose and is also mentioned on the Company's website.
2. Investors can lodge their complaints by sending via soft copy on the said email Id and can also send their complaints/grievances via hard copy addressed to Corporate Head Office.
3. All investor grievances that are received are incorporated in the Register of Grievance are appropriately considered and the action is initiated immediately.
4. 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 recorded in the Register of Grievance and resolved within the stipulated time period and keep its record 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 and 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 which is primarily for concerns where, due to malpractice, fraud, abuse or other inappropriate acts / omissions, the interest of Fatima or its associates is at risk. The objective of having this policy is to ensure that employees highlight and share any suspicious or illegal act being carried out to harm the Company immediately or in the long run so that damages caused to the Company, if any, are minimized. The scope of Whistle-Blowing Policy covers the concerns for behavior

Corporate Governance

/ 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' Act, 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 of the share price
Discount Rate	Increase	Finance Cost of the Company would increase, impacting the shareholder value negatively. Thus lower EPS would negatively affect share price.
Government Policies	Increase in political stability	Would lead to consistent policies resulting in higher confidence of buyers and investors. Share price may move upwards in times of political stability.

Our People

An organization is as good as its people, was the motto for Fatima Group in the year 2017. Our human resources strategies evolved to engaging greater talents, provide high achievers with bigger platforms, focus on individual development plans and create within the company a "knowledge sharing community".

Fatima Group added value to the potential of its people and increased the skill base of its employees through intelligent use of technology complemented strong learning and development initiatives.

Overall Training Man-Hours	2017	2016
Soft Skills (Manufacturing + Non – Manufacturing)	57,217	4,672
Functional Trainings (Manufacturing)	47,610	18,620
Functional Trainings (Non – Manufacturing)	3,720	3,112
Total Hours	108,547	26,404

Succession Planning

Hiring the right employee for the right job is the very basis of HR practices but at the heart of it lies ensuring talent growth and development. Fatima Group HR team spends every shred of its effort in ensuring that the managers today can become productive leaders for tomorrow.

Our succession planning program ties the successor works in close shadow of their predecessor. The gradual and meticulous process spans over months to ensure that all job and process knowledge is transferred to the successor, equipping him with right tools.

The HR team identifies high potential employees with leadership potential.

These successors are then tested through various challenging projects as the leadership gauges their acumen for the job. The HR team assists the succession planning process by aligning right training and development programs for all identified successors.

Information Technology

IT Governance and Security

Information Technology 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 Fertilizer Company Limited. The Management actively supports Information Security within the company, particularly in the IT Division.

The guiding principles for the Governance and Security 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 ITD 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 ITD 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 ITD 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. ITD 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 ITD has created a service desk for centralized management of requests, complaints and incidents; and

XIII. It has established a Project Management Office and a PMO procedure to centrally manage, monitor and track all projects, depending on the size of a project a project charter, project plan and relevant project documents are published for the projects.

In October 2017, IT Governance and Security successfully completed second ISMS Surveillance Audit, maintaining the ISMS certification for three consecutive years.

Security Information and Event Management (SIEM):

IT has initiated an enterprise Security Information and Event Management (SIEM) solution which performs real-time analysis and timely identify the malicious activity and malware attacks via email communication. This will enable FG users to communicate on a more secure IT infrastructure.

IT Infrastructure and Operations

Email Gateway and Web Filtering Solution

Fatima Group IT implemented email gateway and web filtering solution that provides manageable, secure, scalable and reliable web and email security services to Fatima users.

Disaster Recovery Site:

Successful Disaster Recovery Drills were performed twice in the year 2017. Successful drills have ensured that Information Technology team can get critical services operational from disaster recovery site within 90 minutes.

Corporate Governance

IT Infrastructure Expansion:

Fatima Group initiated the expansion of existing Fatima Group Private Cloud infrastructure by enhancing the storage capacity to cover all Fatima Group Sites as Private Cloud Services are being used at group level.

Private cloud infrastructure upgrade:

Yearly maintenance activity was successfully performed for upgrade of Fatima Group Private Cloud Infrastructure's firmware and Operating System. For this activity Disaster Recovery drill was executed and all critical services were successfully shifted to Fatima Group disaster recovery site.

LAN and Server Room Revamp for Fatimafert Site:

Fatima Group IT has revamped the existing network facility with state of the art IT infrastructure to provide more secure and reliable connectivity at FatimaFert plant site.

LAN Infrastructure of Z Block Office:

IT has successfully deployed new IT infrastructure facility at Fatima Group Z-block office. This project will provide secure and reliable LAN and wireless connectivity to users at the new office.

IT Business Applications:

The ITD delivered several applications during 2017. The focus of the applications was to streamline and automate business processes with the objective of enhancing productivity and provision of information.

Business Intelligence

Successfully implemented Business Intelligence which is a powerful tool for Adhoc-analytics with fully interactive dashboards and a range of reports. This tool will help FG management for quick decision making through dashboard capability

Hyperion Planning:

IT has successfully implemented Hyperion Planning, it is a centralized budgeting and forecasting solution that integrates financial and operational planning processes. This will facilitate users in quick decision making.

Android Mobile Application:

IT developed an Android mobile APP to automate the process of warehouse and sales activities.

Fatima Group is the first fertilizer company in Pakistan with Android mobile APP for sales operations enabling sales operations to be carried out with minimum delays. The entire process from conception to implementation has been carried out by Fatima Group IT team.

Management of Change:

IT Division of Fatima Group has automated tracking of change management process for Fatima Fertilizer Plant. The objective of this project is to speedup MOC process flow by clearly identifying all the required steps and approvals.

Symphony Struxure (standardized item coding):

The Implementation of STRUXURE software has resulted in Internationally Acceptable "Standardized Description" of items of all 3 Fertilizer plants of Fatima group. This initiative has laid foundation of a common warehouse and enormous savings through e-Procurement in future.

Travel Approval and Expense Management:

Fatima Group IT has automated travel and expense management process at HO and plant sites, it will enable employees to enter all traveling details in system and get approvals and process payments through system.

Oracle Upgrade:

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.

Property Manager:

Property Manager allows maintenance of company property (Warehouses), information, lease agreements and automatic invoice generation for rentals.

Notice of the 15th Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Monday, April 30, 2018 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 Annual General Meeting held on April 25, 2017.

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, 2017.

3. To consider and approve final cash dividend for the year ended December 31, 2017 at PKR 2.25 per share i.e., 22.5% as recommended by the Board of Directors.

4. To appoint Auditors for the year ending December 31, 2018 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

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

   "**Resolved**, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of Running Finance Facility limit of up-to an aggregate amount of PKR 1,250 million extended to Reliance Commodities (Pvt) Limited for further period of one year to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.

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

6. To consider and approve loan investment of an aggregate amount of PKR 2,000 million in associated company namely Pakarab Fertilizers Limited for period(s) of one year and to pass the following Special Resolution(s) with or without modification(s):

   "**Resolved**, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for providing a loan in one or more tranches as Running Finance Facility of up-to an aggregate amount of PKR 2,000 million (Rupees Two Thousand Million Only) to Pakarab Fertilizers Limited (PFL), an associated company, for a period of one year to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.

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

7. To consider and approve fee for attending Board and Audit Committee Meetings by the Directors and to pass following Ordinary Resolution with or without modification(s):

   "**Resolved**, that a fee of PKR 50,000/- be paid to each Director other than the regularly paid Chief Executive and full time working Director for each meeting of the Board and Audit Committee attended by him/ her."

8. To consider and approve purchase of Bombardier Aircraft from associated company namely Pakarab Fertilizers Limited and to pass the following Special Resolution(s) with or without modification(s):

   "**Resolved**, that subject to grant of all necessary regulatory approvals, the consent and approval be and is hereby accorded under Section 208 of the Companies Act, 2017

Notice of the 15th Annual General Meeting

to acquire Bombardier Aircraft Challenger 605 (the "Aircraft") and related Building and Equipment from its associated company namely Pakarab Fertilizers Limited ("PFL") for a price of PKR 1,600 million and upon such terms and conditions as the Board of Directors of this Company may, in its discretion, deem advisable.

Resolved further, that the Chief Executive Officer, Chief Financial Officer and/or Company Secretary be and are hereby authorized, directed and empowered singly to do and perform any and all such acts, including execution of any and all documents and agreements, as such officers shall deem necessary or advisable, to carry out the purposes and intent of the foregoing resolution."

9. To ratify and approve the transactions carried out by the Company with related parties as disclosed in Financial Statements for the year ended December 31, 2015, December 31, 2016 and December 31, 2017 and to pass the following Special Resolution(s) with or without modification(s):

"**Resolved**, that related party transactions carried out by the Company with Pakarab Fertilizers Limited, Fatimafert Limited, Reliance Commodities (Pvt) Limited and Fatima Packaging Limited during the year ended December 31, 2015, December 31, 2016 and December 31, 2017 be and are hereby ratified and approved.

10. To approve transactions with related parties and to authorize the Board of Directors of the Company to carry out such related party transactions from time to time, irrespective of the composition of the Board of Directors:

"**Resolved**, that the Company may carry out transactions including but not limited to sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/ raw material and purchase of packaging material, with related parties from time to time including but not limited to Pakarab Fertilizers Limited, Fatimafert Limited, Reliance Commodities (Pvt) Limited, Fatima Packaging Limited and other such related parties during the year ending December 31, 2018.

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

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

11. To consider and approve renewal of equity investment and/or investment in any other form in Midwest Fertilizer Company LLC for further period of three years and to pass the following Special Resolution(s) with or without modification(s):

"**Resolved**, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal and extension in time period of equity investment and/ or investment in any other form, of up-to USD300 million ("Investment Amount") over further three (3) year period in Midwest Fertilizer Company LLC (hereinafter referred to as "MFC") on the same terms and conditions as already approved by the shareholders in Annual General Meeting held on April 30, 2014.

Resolved further, that the Board of Directors of the Company be and is hereby authorized to take all steps necessary in this regard and to do all such acts, deeds and things as may be required to give effect to aforesaid resolution including but not limited to seek any relevant regulatory approval that may be required, negotiating and executing any necessary agreements/documents, and any amendments thereto, and any ancillary matters thereto."

Other Business

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

The statements under Section 134(3) of the Companies Act, 2017 setting out the material facts concerning the special business are annexed herewith.

By order of the Board

Ausaf Ali Qureshi
Company Secretary

Lahore

Notes:

1. The Share Transfer Books of the Company will remain closed from April 24, 2018 to April 30, 2018 (both days inclusive). Transfers received in order at the office of our Share Registrar/Transfer Agent, Central Depository Company of Pakistan Limited by the close of business on April 23, 2018 will be treated in time for the purpose of attending Annual General Meeting.

   For the purpose of entitlement of final cash dividend of 22.5%, the Share Transfer Books of the Company will be closed from May 12, 2018 to May 18, 2018 (both days inclusive). Transfers received at the office of our Shares Registrar, Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, at the close of business on May 11, 2018 will be treated in time for the purpose of above entitlement of 22.5% final cash dividend.

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: 15%

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

   To enable the Company to make tax deduction on the amount of cash dividend @ 15% 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 15%.

   Withholding tax exemption from the dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to Company's Share Registrar by Close of Business day as on May 11, 2018.

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

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

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

   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. **Payment of Cash Dividend through Electronic Mode**

   Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends

Notice of the 15th Annual General Meeting

directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form provided in the Annual Report and also available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-eFaisal Karachi-74400 in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services.

6. **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.

7. **Consent for Video Conference Facility**

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

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

   Signature of member

8. **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, 2017 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Accounts, the same shall be provided free of cost within seven days of receipt of such request. Further, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same at your valid email ID.

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

Operational Performance

Fatima's yearly production was marginally lower than the budget due to extended turnaround and some repair jobs of equipment undertaken during the year as identified during TA-17.

The Urea Plant produced and dispatched over 150,000 metric tons of good quality urea for export to the international market and was well received globally.

The Advance Process Control (APC) project implemented successfully at the Ammonia Plant in August 2017, reduced the energy index to 7.93 Gcal/Ton and the plant rate improved by 0.5% at the same natural gas consumption level.

The year closing break-up of Finished Products and Intermediates are tabulated below:

Yearly Production 2017		
	Actual (MT)	Budgeted (MT)
	- Finished Products -	
Urea	474,840	488,766
CAN	444,752	449,991
NP	372,876	375,570
Total Fertilizer	1,292,468	1,314,327
	- Intermediates -	
Ammonia	545,184	557,305
Nitric Acid	482,999	482,930

Turnaround 2017

Turnaround was taken after 18 months of plant operation. This was the first time that jobs were planned and executed on the basis of a 10 Year Rolling Plan without much expatriate support. This resulted in substantial cost savings.

Debottlenecking Activities / Ammonia Revamp

The Ammonia Plant DBN (Debottlenecking) Phase-1A (TA'17 scope) was executed. This helped to increase ammonia production capability to 1688 MTPD during the summer and 1705 MTPD during the winter.

Fatima experience shared in world Conferences

In 2017, Fatima participated in 6 international conferences and 1 local forum, presenting papers related to plant operation, safety, reliability and technological advancements.

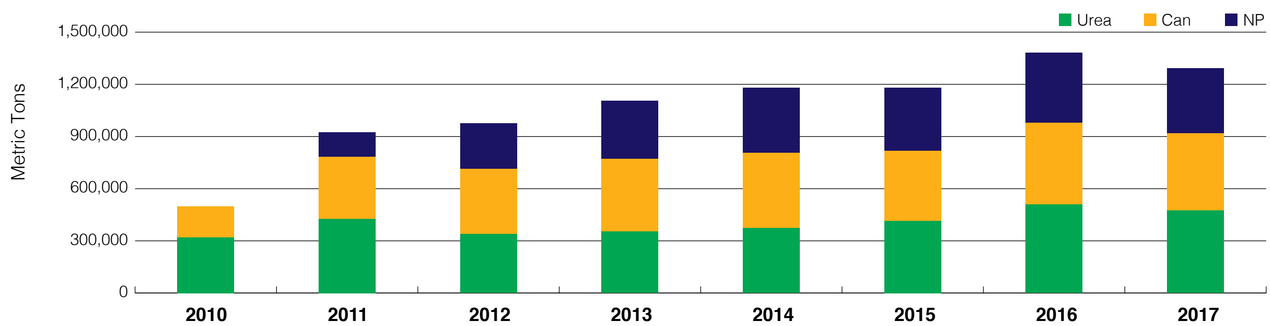
Sr. No.	Event	Date	Location
1	Nitrogen +Syngas	Feb 2017	London, UK
2	AICHE Ammonia Symposium	Sep 2017	New York, USA
3	ANNA Conference	Oct 2017	Austin, Texas
4	Symphos-2017	May 2017	Morocco
5	IFA Global Safety Summit	Mar 2017	Amman, Jordan
6	GE Annual Meeting/Conference	Jan 2017	Florence, Italy
7	ARL Annual Safety Symposium	Oct 2017	Islamabad, Pakistan

Learning & Development

Fatima became the first Pakistani company to receive the Best Award from the Association for Talent Development, USA. A dedicated building was converted into a Learning and Development Center which is being used to cater for the learning needs of the entire Fatima Group.

Year	Trainings (Man-hours)	HSE (Hrs)	Technical (Hrs)
2017	97,420	50,810	47,240

Yearly Fertilizer Production:



Marketing and Sales

Each year, the farmers of Pakistan witness a new season with its own unique challenges and hurdles, some for which they are equipped to deal with, and others for which they must find new solutions. In a similar fashion, the Sarsabz Sales & Marketing team too, adapts to this ever-changing environment and tries to foresee the future with the aid of strong research and planning, to serve the varying needs of our farmers.

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

In 2017, we continued to persevere in the same strategic direction as the previous year, with the Brands and Technical teams working together to highlight to the farmers, the importance and method of increasing the farmer's ROI. Last year, we promised a 10% plus increase in yield with Sarsabz NP and CAN, against conventional fertilizers. This year, we took the promise a step further by calculating the Value-Cost Ratios of farmers' fertilizer purchases and researching on their ROI. Our research has clearly shown that with an increase in yield greater than 10%, not only is the farmers' cost of fertilizer recovered but a sizeable profit margin is also earned. Thus we developed a simple but extremely effective concept of 'Khaad Muft he Samjho' (consider the fertilizer as free!). A 360-degree holistic campaign was developed for the wheat crop, which included TV, radio, print and POS material.

In pursuit of winning the trust of our farmers, we set out to create waves in the industry by working together with leading research stations for crops such as rice, wheat, potato, sugar cane. Backed with the solid belief in our products, we managed to prove to researchers, technicians and agriculture government officials that with use of our nitrate products, the agriculture sector of Pakistan stands to gain a major increase in yields. We embarked on a major communication strategy shift by holding large public gatherings in collaboration with the government, to disseminate useful agri-based information to farmers in order to help them achieve greater success.

For the year 2017, our team motto was "Together We CAN". We outlined key weak areas for our product CAN, which remained mainly the rice belt. We worked with the Rice Research Institute, Kala Shah Kaku and published ground breaking research on rice production technology. With the Government's authoritative recommendation for CAN on rice, we took the knowledge to every nook and corner of Punjab's rice belt. Mass public gatherings were held, where farmers who had experienced greater than 10% yield on rice, and leading researchers, were invited, to give their testimonials. The results of such activities can be clearly seen by the highest ever sales achieved by our North zone for rice crop.

At Fatima Fertilizer, we consider Marketing to be one of our key strengths and we will continue to create innovative campaigns that strengthen the backbone of Pakistan - its farmers!

International Market Players

Market players were mostly concerned that 2017 will be dominated by oversupply, as more products from Morocco and Saudi Arabia were expected to come to the market. The idling of the Mosaic Plant City facility in October has not done much to curb the glut of products in the market. It remains to be seen whether demand can meet all this supply, as producers do not seem willing to lower their prices and buyers can afford to wait to make purchases.

China's producers on the other hand, have been reluctant so far, to lower DAP price offers and have been engaged in a stand-off with buyers, mainly in the Indian subcontinent. Higher DAP offers are expected to remain in China, as demand is expected to start slowly in the new year. However, Chinese producers are expected to remain on the sidelines and focus on the domestic market and shipping previous orders until the Lunar New Year in mid-February.

Phosphates operating rates at domestic DAP/monoammonium phosphate (MAP) plants in China have been reduced recently due to the government's crackdown on environmental pollution which is expected to continue through 2017. Tight product availability from China has been affecting the market, with buyers looking elsewhere to secure products and producers pushing their offer prices up.

Furthermore, the Chinese government has introduced a new environmental tax which is expected to affect the fertilizer industry. Under the new tax regime, which takes effect from 1 January 2018, producers will be charged China Yuan (CNY) 5 per ton of coal waste; CNY 1,000/ton of hazardous waste; CNY 1.2 per unit of atmospheric pollution and CNY 1.4 per water pollution unit.

Also, effective from 1 January 2018, the Chinese government has retained its export tax on DAP/MAP/triple superphosphate (TSP)/single superphosphate (SSP) for 2018 at zero. The export tax rate for phosphoric acid has also been kept at zero. The export tax rate for nitrogen, phosphate, potassium (NPK) fertilizers is 20% for 2017. For phosphate rock, the tax rate is 15%.

The Urea Market

Chinese production, which declined by 10% in 2017 to 55 million tons, is expected to remain low due to strict environmental controls. China's urea exports in 2017 are estimated at 4.7 million tons, down 50% from 2016, while imports into China are expected to increase. The new year is expected to begin on a quiet note for the urea market but prices are expected to remain under pressure through most of the year, given the oversupply situation.

India's import tender on 22 December 2017, under which National Fertilisers Limited (NFL) purchased 387,000 tons of urea from Iran, has lent some support to prices at the start of the year. The results of the tender show global supply will be limited at the start of the year 2018 with only Iranian cargoes purchased under the Indian tender. There were no cargoes available in other regions to meet NFL's shipment deadline of 20 January 2018.

The outlook in early 2018 remains muted with demand unlikely to soak up all the supply. Capacity expansions in the US are expected to begin to displace urea imports into the US, creating more oversupply for the global market.

Global urea supply is estimated at 194 million tons in 2018 when demand is expected to be around 174 million tons, according to the International Fertilizer Association (IFA). This would mean a potential surplus of 20 million tons of urea in 2018.

Lower import demand is seen in the US, India, Mexico and Bolivia in 2018, as domestic production increases, while Nigeria, Russia and Indonesia are seeing capacity increases. The regional deficit could, however, lead to trade opportunities in South Asia, Sub-Saharan Africa and Europe, according to IFA.

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 production facilities, for its employees and for the communities it works and lives with;

b) Ensuring employee safety and welfare at all levels;

c) Conserving energy and water, and reducing 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) Supporting other institutions and NGO's working for social sector;

f) 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	2017	2016
Economic			
Total Fertilizer Sales	EC1	1,477 (MT in 000)	1,205 (MT in 000)
Net Profit	EC1	10,576 (PKR in Million)	9,782 (PKR in Million
Revenue	EC1	37,612 (PKR in Million)	33,765 (PKR in Million)
Contribution to national exchequer		5,989 (PKR in Million)	6,775 (PKR in Million)
Rural development and responsible sourcing			
Farms addressed for capacity building (numbers)		21,190	20,877
Water			
Total water withdrawal (Million m³)	EN8	8,372,000	9,040,320
Environmental sustainability			
Materials			
Raw Material used (natural gas) (Metric Tons)	EN1	713,735	803,186
Materials for packaging purposes (Metric Tons)	EN1	3,920	4,199
Energy			
Total direct energy consumption (gigajoules)	EN3	24,796,606	26,612,489
Total direct energy consumption from renewable sources (% total direct)	EN3	N/A	N/A
Energy saved due to conservation and efficiency improvement	EN5	0.15 GCAL/MT AMMONIA (owing to P. Reformer Burners Improvement & Advance Process Control Project)	Production gains achieved due to reliability improvements / Energy Optimization

Key performance indicator	GRI	2017	2016
Biodiversity			
Total size of manufacturing sites located in projected areas(hectares) working under clean development mechanism	EC1	947 acres	947 acres
Trees Planted		8,500	9,000
Emissions, Effluents and Waste			
Direct GHG emissions (Metric Tons CO2eq), (i.e. Surplus CO2 from Ammonia Plant + CO2 emissions from other sources)	EN16	367,804 + 768,737	390,089 + 824,738
Indirect GHG emissions (Million Tons CO2eq)	EN16	N/A	N/A
Non-hazardous Waste for disposal (Tons)	EN22	Lime: 171,009 Silica: 4,882	Lime: 171,288 Silica: 4,332
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	900	849
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	108.547	26,404
Female staff at the head office	LA13	15%	19%
Local Management Committee Members native to country in developing countries	EC7	100%	100%

Health, Safety and Environment

Fatima is a company, aiming towards implementing the best standards, while benchmarking with global industrial practices. We take pride in mentioning that the Company has been certified and remained compliant on the following standards in 2017:

- DuPont Process Safety Management - Successfully achieved Excellence Level of 4.0 in November 2017
- HACCP Food Safety Certification
- ISO/IEC 17025 Accreditation for Laboratory Management System
- IFA Protect and Sustain Stewardship
- IFC Performance Standards
- Quality Management System (QMS) ISO 9001:2008
- Environmental Management System (EMS) ISO 14001:2004
- Occupational Health and Safety Management Systems OHSAS 18001:2007
- WWF Green Office Program - This aims to reduce our ecological footprint from office buildings. The organization is striving to reduce consumption of its 03 KPIs (Paper, Power & Waste).

Achieving environmental and occupational certification is just the first step taken towards making the Company eco-friendly, contributing towards the betterment of our environment and ensuring implementation of high quality standards.

The Company has plans to move a step ahead towards world leading Environment and Industrial Hygiene Systems. A number of certifications have been planned for the coming years. Some of the most important ones include DuPont Environment Management System, Occupational Health Industrial Hygiene (OHIH), Operational Excellence, 6-sigma and 5-S Certification for Housekeeping.

Quality, Health, Safety and Environment (QHSE) Policy

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

Fatima Group is committed to:

- Conducting 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
- Conforming to the requirements of all legislations, regulations and codes of practice pertaining to quality, health, safety and environment
- Implementing environmental protection measures that address pollution prevention in all aspects of our business
- Preventing injuries, occupational illnesses, safety incidents and environmental excursions
- Encouraging off-the-job safety awareness among employees and their families
- Ensuring that quality, health, safety and environment is a major responsibility of appropriately trained, empowered and accountable employees and management
- Encouraging and promoting a culture where best quality, health, safety and environment practices and lessons learned from internal and external incidents, are transparently shared with the stakeholders
- Reaffirming its corporate sustainability commitments towards business excellence and being a responsible global corporate organization throughout its lifecycle
- Maintaining a high standard of quality, health, safety and environment in all aspects of its business conduct and continuously improving its performance
- Recognizing and rewarding outstanding quality, health, safety and environmental performance

Global Benchmarking on Systems and Standards

Fatima aims to benchmark with global industry standards as a way forward to achieve the highest levels

of excellence in its businesses. Keeping this target in view, a five year road map plan was rolled out in 2014 to gain certifications of globally renowned standards and practices. 2017 has been a tremendous year in this regard as the Company has successfully acquired new certifications, in addition to retaining previous certifications.

Site safety statistics are a reflection of efforts towards HSE culture improvement which includes a reduction in serious Process Safety Incidents, reduction in injuries, LTI's, continuity in increasing the trend of safe million man hours, reliable plant operation with reduced production loss time, and improved focus towards the community and environment.

After this series of achievements, Fatima Group is targeting Six Sigma and Occupational Health Industrial Hygiene (OHIH) in the next two years. The site is also preparing itself for a world recognized Environment Management System.

Process Safety Management – A Success Story

In November, Fatima Group's manufacturing site was audited by DuPont Sustainable Solutions (DSS), a world leader in HSE and operational excellence, which declared that the site is at a high Excellence Level in Occupational Safety and Health Administration (OSHA) system of USA. The site successfully acquired the overall score of 4.0 against its previous achievement of 3.6 in a previous external audit in 2015.

This success is the result of a strong HSE culture that has been flourishing at the site and because of the openness of each individual for improvement. Achievement of this huge milestone embodies a string of activities starting from trainings, brainstorming sessions, action plans, system revamps, initiatives as well as second party audits from sister companies and Corporate HSE. Fatima will continue to strengthen its strong HSE culture and plans to achieve the next milestone which is to achieve a World Class level in Process Safety Management.

Working with Partners for Process Safety

The Fatima Corporate HSE team and the Center for Chemical Process Safety (CCPS) of the American Institute of Chemical Engineering (AIChE) have joined hands and launched the Process Safety Beacon in the Urdu language. The monthly one page beacon covers the breadth of process safety issues and lessons learned from real-life process safety incidents around the globe. CCPS has globally recognized Fatima's effort. The Urdu version is now available for the diversified community of CCPS where the language is understood.

Achieving 40 Safe Million Man-Hours

Fatima became the first fertilizer company of Pakistan to successfully achieve 40 safe million man-hours. It also makes us the 7th among the petrochemical industry of the world to achieve this important milestone. This achievement speaks highly of the dedication of Fatima towards health, safety and environment, and about translating the Company's values into concrete action.

Energy & Environment Conservation Initiatives

a) An Advance Process Control was installed at the Ammonia Plant which helped to reduce the plant's energy index by 0.15 Gcal/MT.

b) A new natural gas compressor was installed at the Ammonia Plant on steam driver instead of fuel gas which resulted in significant savings of fuel gas.

c) Furnace burner modification resulted in 0.1 Gcal/MT natural gas conservation.

d) Recycled effluent water was used for horticulture purposes.

e) There was a reduction in the use of plastic bottles in offices by using water purifiers instead.

Building Capacities – HSE Trainings

2017 has been a tremendous year in terms of enhancing the HSE knowledge base of Fatima employees. Certified trainings were organized for our employees on the following subjects:

- DuPont's Environmental Management System (EMS)
- Root Cause Analysis (RCA) for Incident Investigation
- Techniques of Process Hazard Analysis (PHA)

Participants from sister companies were also invited to these trainings. Additionally, a comprehensive training calendar was followed. Trainings were conducted on Management Safety Audits (MSA), First Aid, Fire Fighting and Job Safety Analysis, among other subjects. A total of 18,200 man hours were spent on these.

Contractor Safety Management:

Contractor safety has evolved to be a strong point in the recent PSM audit by DuPont. Fatima is strongly focused on the regular training and auditing of its contractors, while maintaining close interaction with them. Approximately 800 man hours were spent by the Fatima team on contractor trainings.

Fatima also launched a comprehensive Contractor Safety Manual in 2017. The core purpose of this manual is to improve a contractor's awareness on Fatima's QHSE Policy and align their work practices with our safety requirements.

Participation in National and International Forums

IFA Global Safety Summit

Fatima participated in the Global Safety Summit 2017 held in Jordan by the International Fertilizer Association (IFA) with over 100 participants from all over the globe. Fatima presented its success story of Process Safety Management implementation and its journey towards excellence.

AIChE Symposium – Texas, US

Corporate HSE and Technical Support participated in the Annual Symposium on Safety in Ammonia Plants, organized by AIChE, and presented a paper on "Operational excellence through learnings from past process safety incidents".

5th Health, Safety and Environment Conference at Attock Refinery Limited

The HSE forum at Attock Refinery Limited (ARL) has emerged as a premiere forum on health, safety and environment in recent years. In 2017, Fatima presented a case study on revamping its Emergency Response Plan. The purpose of participating in these national forums is to inculcate the essence of HSE in the industrial sector of Pakistan and to enhance their capabilities while learning from the experiences of Fatima.

Disaster Management Workshop by Civil Defense of Pakistan

Fatima participated in the Disaster Management Workshop held by the Civil Defense of Pakistan and conducted a training on "Hazardous Substances Disaster & Methods of Dealing With It". Participants from various government, semi-government, autonomous bodies and industry representatives appreciated this initiative.

Community Awareness & Emergency Response (CAER) Program

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 the public should take in the event of a natural or industrial emergency.

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 Group is also conducting awareness sessions with the communities around its plant and striving to build a sense of mutual trust. The Fatima CAER team has been conducting trainings and quiz competitions for school children in neighboring villages on various topics of safety. In the coming year, Fatima will identify social workers from these villages and train them on Safety and Emergency Response in collaboration with the Civil Defense of Pakistan.

Growing People Growing Business

Strengthening the Talent Base

The year 2017 was indeed a great year for learning and development opportunities as Fatima Group explored more avenues for talent development, performance management and potential assessment. The Group explored international best practices to ensure that the entire employee talent base is strengthened from the first intake lasting the entire duration they are associated with the organization.

Our Management Trainee Officers (MTOs) & Graduate Trainee Engineers (GTEs) program ensures that only the best talent is brought on board. GTEs go through an extensive and well-structured one year classroom plus an on the job learning program. MTOs also go through an extensive year-long rotation exercise that strengthens their functional job knowledge before formally joining a parent department. The learning curve only spikes from this step forward as the HR team formally engages this young talent through rigorous workshops, conferences and skill development programs throughout their association.

Integrated Talent Management Process

A strong integrated talent management system includes processes for differentiating talent across several key capabilities including talent acquisition, development, engagement, performance management, rewards/ recognition and succession management.

Fatima Group HR maintains a holistic approach of talent management where each employee's individual project performance is closely monitored. The managers and team leads work closely with the team members ensuring that delegated projects are completed in time and all support is provided.

The HR Business Partners present on site and working within their respective functions guarantee that the talent management process protocols are followed and the teams are fully aware of the quarterly performance reviews and appraisals at the end of the year.

Learning & Development at Every Level

Learning and Development at Fatima Group believes in catering for multidimensional learning at every career level. Our in-house learning programs combined with our in-house training faculty for technical and soft skills, allow for knowledge sharing. Our inner talent pool is leveraged in this way for constantly strengthening our people.

People Development Forums

Human beings are born with unlimited potential and a successful organization`is one that is able to provide new avenues to its employees to showcase their potential. Fatima Group ensures that the learning and development curve of its employees never goes down. In order to ensure maximum efficiency and effectiveness at work, Fatima Group launched the Fatima Learning & Development Center. The center will essentially evolve into a knowledge hub for Fatima Group by developing ISO certified technical courses, on-the-job training manuals and case studies.

The efforts made by our Technical Training Center were recognized by American Society for Training and Development (ATD), USA, and Fatima Group became the first company in Pakistan to win an award for its training and development efforts.

Connecting to Engage

Employees that are engaged at work are also productive and efficient. Fatima Group while providing numerous learning and development opportunities for its employees' also focuses greatly on employee engagement and motivation.

The Company provides countless opportunities to its employees to showcase their interests and talents by arranging various cultural activities and festivities. The year 2017 saw many engaging and empowering employees' activities like the Independence Day Competition, Women's Day Celebrations, Sarsabz Cricket Gala, Eid Milan Breakfast and more.

Women Development and Gender Diversity

Prepared to bring growth and prosperity to the communities we operate in, adding value to the people we work with and achieving excellence in all its domains, Fatima Group's slogan for 2017 was "Embracing Tomorrow". As the company adapted to the ever changing business landscape, Women Development and Gender Diversity became the number one agenda on its list.

The gender diversity numbers in Fatima Group may not seem ideal but the progress and commitment shown towards changing these numbers has been remarkable. Fatima Group is primarily a manufacturing concern that operates in a male dominant fertilizer, sugar and energy industry. Yet, today, we have female engineers functioning on-site and running entire shifts under their supervision; female brand specialists making critical business decisions; female recruiters driving workforce dynamics; women communication experts revamping the entire Company culture and female technologists paving the way for the Company's future.

Diversity & Inclusion Benchmark Award 2017

Fatima Group was recognized by the Global Gender Diversity & Inclusion Benchmark Conference for its relentless efforts for encouraging women in the workplace and in communities at large. The company won in the Proactive category which classified Fatima Group as proactively taking initiatives on the subject and making a great social impact.

Fatima Vocational Training Centre

Fatima Vocational Centre, Sadiqabad, a project of Fatima Welfare Committee, operating since 2014, saw the graduation of its fifth batch of female vocational training students on November 20, 2017. The 10 month long course included rigorous training on tailoring, embroidery and other skills to empower young women in the surrounding villages. The exceptional young girls in the center are provided with sewing machines, aiding in jumpstarting their professional careers.

Women Enabling Platform

Women have been adding value to society in a variety of roles including as working professionals. In keeping with the objectives of International Women's Day and staying true to our vision of valuing people regardless of gender, Fatima Group wanted to pay tribute to all the women who in spite of colossal challenges continue to achieve greater and greater success.

Fatima Group established its first ever women enabling platform "SHEMATERS". Through this platform we successfully created a community of like-minded people who can be a source of inspiration by sharing their success stories, achievements and challenges faced along the path to success.

Sending Girls Back to School

In the previous year, Fatima Group adopted two girls' campuses worth PKR 3.6 million in collaboration with The Citizen Foundation. Fatima Group aids in these units' capital expenditure while providing other operational support as well. These schools are in addition to the TCF educational units that Fatima Group has taken on board which includes co-ed systems too.

Child Care Allowance

With a rising number of females in the workplace, Fatima Group wanted to ensure that all of its female staff

were able to perform to the best of their abilities without having to worry about their responsibilities at home. This was especially true for young mothers who would otherwise worry about their young ones while at work. The provision of child care allowance is just another step in maintaining workplace diversity.

Flexi Hour Policy

Fatima Group has introduced a flexi hour policy for mothers-to-be and nursing mothers so that they do not have to sacrifice their careers. These women are encouraged to complete their projects reaping policy benefits thus still being able to maintain their professional responsibilities without compromising on their children's welfare.

Inclusion in Recognition Framework

Policies that are human-centric are the key to a successful organization. Employee engagement and productivity are directly proportional to each other as proven by various human resource studies. Today's employees are different and view recognition and benefits in a different context than what was the case a decade ago.

Fatima Group has ensured that its female employees are recognized for their outstanding performances through sound recognition policies. Line managers and departments are encouraged to share names of female nominees who are then scrutinized through a transparent recognition framework.

Celebrating Women through Cultural Interventions

Fatima Group acknowledges the valuable contribution of women in the growth of the Company and the country. We wished our female team members a very Happy International Women's Day to thank them for their contributions to the economy and in making this world a better place.

In 2017, while we celebrated Women's Day, we made sure to include men in the activity. A dedicated pledge drive was carried out where male employees pledged for various causes and were asked to take up a resolution for the year. A dedication board was also prepared where all employees paid tribute to the women in their lives who had made a difference and helped them become the successful people they are today. Fatima Group has also built a tradition of giving female employees a luxurious Eid gift basket.

Our Success Story

Saliha Akram, Environment & Industrial Hygiene Engineer - Technology Division, was invited as a guest speaker at a workshop on Gender Equality in Islamabad. She highlighted the challenges females face in the field of engineering. Saliha recognized the important role Fatima Group plays by emphasizing the motivation, encouragement and benefits this organization provides to develop female engineers in Pakistan. Saliha is also a prominent member of the professional chapter of Women Engineers in Pakistan.

This workshop was organized by USAID and Arizona State University, in collaboration with US-Pakistan Center of Advanced Studies in Energy (US-PCASE). US-PCASE is one of the three projects introduced by Arizona State University in Pakistan for energy related issues in Pakistan.

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, 2017 to December 31, 2017 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

WWF GREEN OFFICE
A WWF INITIATIVE TO REDUCE ECOLOGICAL FOOTPRINT

Corporate Social Responsibility

As a socially conscious organization, we at Fatima Group, have deep rooted respect, admiration and appreciation for all members of the community.

Our Corporate Social Responsibility agenda is to strengthen the backbone of the community by ensuring education and healthcare facilities for all. With a staggering PKR 582,029,308 charitable donations in health and education, Fatima Group is redefining philanthropic organizations. Our philanthropy in the year 2017 caught the attention of many awarding bodies, winning the Company several accolades and recognition throughout the fiscal year.

Spring Psychiatric Clinic – Multan

Spring Psychiatric Clinic's foundations were laid in 2016. Spring Clinic is a one of its kind facility in Multan, dedicated to promoting mental health by playing an active role in mental health advocacy. The Clinic, since inception, has been determined to break the taboos related to mental healthcare in the region by providing evidence based and patient centered mental healthcare, in accordance with the socio-cultural context of the region. The clinic's team is dedicated to addressing the stigma associated with mental health and to promoting rehabilitation of patients suffering from mental disorders. Experts at the Spring Clinic successfully treated more than 2000 cases in 2017 with more than 70% of the patients being treated under the clinic's CSR umbrella.

Mukhtar A. Sheikh Hospital

Mukhtar A. Sheikh Hospital will open its doors to the general public in the current year. Built through the Mukhtar A. Sheikh Trust, the hospital will eventually include 500 beds and a state-of-the-art healthcare facility, providing assessment and treatment of common and complex medical conditions. To show Fatima Group's commitment and compassion towards quality healthcare, education and research services, we also foresee being accredited by the Joint Commission International (JCI) and the International Organization for Standardization (ISO).

Professional Education Foundation (PEF)

Professional Education Foundation (PEF), a not-for-profit organization was established in 2009 under the Trust Act 1882, with the sole aim to financially support underprivileged, bright students in their quest for professional education. The average annual cost of educating a deserving student, in the selected fields of Medicine, Engineering, Agriculture, IT and Business Management, over a period of 4 to 5 years is PKR 60,000 per annum per student. PEF makes disbursements directly to universities to ensure transparency and correct use of funds. Fatima Group donated PKR 0.9 million which has enabled us to change the lives of 15 students for an entire academic year studying across Pakistan in various disciplines.

Shaukat Khanum Memorial Cancer Hospital (SKMCH)

In its continued support to fight cancer, Fatima Group donated PKR 1 million for the construction of SKMCH's Peshawar hospital. The Peshawar facility will cater to the largest and most vulnerable population of Khyber Pakhtunkhwa.

Namal College – Mianwali

Fatima Group believes in the provision of quality education for the country's population. While we have independent and self-sustainable education projects, we also partner with leading charitable educational institutes to ensure that this objective is achieved. In the year 2017, Fatima Group donated PKR 2.4 million to sponsor a 4 year degree program for 2 students at Namal College, Mianwali.

Akhuwat University

Akhuwat Foundation is known across the country for its charitable work. Their new philanthropic venture is the establishment of an international standard education institute. Fatima Group in order to show support for the initiative, participated in the Akhuwat fundraiser and generously donated PKR 1 million in the name of Akhuwat University.

Care Foundation

Fatima Group has been providing its support to CARE Foundation since 2013. It sponsors the following six CARE Adopted Schools:

1. Govt. Boys Primary School 28 NP Sadiqabad
2. Govt. Girls Primary School 28 NP Sadiqabad
3. Govt. Boys Primary School 32 NP West Sadiqabad

Corporate Social Responsibility

4. Govt. Boys Primary Chak No. 29 NP
5. Govt. Girls Primary School Mir Ahmed Shergarh
6. Govt. High School Mir Ahmed Shergarh

Salaries of the entire staff of all six schools are funded by Fatima Group. With the help of the Group's generous support, CARE has managed to construct about 15 classrooms in these schools. Furthermore, Fatima Group has equipped classrooms with furniture for about 1500 CARE students and provided stationery as well.

Progressive Education Network (PEN)

Progressive Education Network is a non-profit company which provides quality education to underprivileged children across Pakistan. Due to their relentless efforts in the education sector, they have earned the respect of many philanthropists across the country. Fatima Group donated PKR 500,000 to PEN to ensure that they continue to deliver education to those most underprivileged in Pakistan.

Agha Khan & Medical College Foundation

Fatima Group signed an MoU with Agha Khan & Medical College Foundation in 2015, undertaking PKR 10 million in an effort to provide quality healthcare across Pakistan. In 2017, the last installment of PKR 4 Million was made to the organization ensuring continued support to this noble cause.

Lahore Hospital Welfare Society

Fatima Group donated PKR 200,000 to the Lahore Hospital Welfare Society in order to ensure that they continue to provide quality healthcare to those underprivileged in the Punjab.

Lady Aitchison Hospital

Situated in Lahore, Lady Aitchison Hospital is one of the oldest institutes providing maternal healthcare to deserving women in Punjab. Fatima Group donated PKR 100,000 to sponsor the treatment of women in the hospital.

Employee Volunteer Program (EVP)

The Fatima Group management, realizes the value of not just financial giving, but also service to community as well. Keeping this in mind, Fatima Group introduced its Employee Volunteer Program in 2017. The program encourages employees to spend time promoting community development by affiliating with various local organizations and Fatima Group driven initiatives.

Student Mentorship with Care Foundation

A six-week mentorship program in collaboration with the Care Foundation engaged a group of 20 volunteers from all across the company. The mentors engaged 9th and 10th graders in various topics ranging from their career aspirations to self-reflection, confidence and ethics.



Save a Mom Campaign

Fatima Group in collaboration with Shaukat Khanum Memorial Cancer Hospital, placed donation boxes for 4 weeks in all its offices. The campaign was supported through internal communication which encouraged employees to donate for breast cancer victims in Shaukat Khanum.

SAR School

The SAR School is situated in the neighboring area of the Fatima Group head office. This humble facility provides education to children of white collar families in the community. Volunteers from Fatima Group planned a one day activity spreading awareness about hygiene and healthy eating habits. The volunteers also distributed gifts worth PKR 50,000 to the students.

A Day at SKMCH

Fatima Volunteers spent a day with children fighting cancer to bring smiles on their faces and to help alleviate their pain in some small way. These kids were greeted by Fatima Volunteers with enthusiasm and were given gifts worth PKR 50,000. The gifts were customized according to gender and age. Fatima Volunteers played and sang with the children, and praised their courage.

Edhi Home

In an effort to pay tribute to the philanthropic icon Mr. Abdul Sattar Edhi, Fatima Volunteers decided to spend time at Edhi Homes. They also donated winter supplies including quilts, food packs and toys for children, and clothes for adults.

Book Donation Drive

The first ever book donation drive conducted under the Employee Volunteer Program encouraged employees across the Group to donate academic, course and literary books to the CSR department. These books were then donated to various private and governmental education institutes, TCF schools and public libraries.

Pehla Qadam School

Fatima adopted the NCHD School in 2013. Situated in the heart of Sadiqabad, the school faced critical financial problems. The management ensured that the community is benefitted through education funds. Fatima Fertilizer Welfare Fund ensures the running of the school's operations which includes teachers' salaries, building rent, power utilization and other teaching support necessities. To ensure success and transparency, the operations and progress of the school is closely monitored by the organization's CSR team.

Adoption of Care Foundation schools

Fatima Group continues to work closely with renowned NGOs that are distinguished globally for their impactful work. We partnered with Care Foundation to adopt 4 schools in the Rahim Yar Khan District. As the community benefits from Care Foundation's professional expertise in quality education, we ensure smooth operations through financial

Corporate Social Responsibility

support. Apart from financial aid, the management provides course books and writing copies along with infrastructure improvements to the building.

Welfare Medical Dispensary & Camps

Dedicated medical camps treated more than 7000 dog-bite cases, hepatitis patients and those with other illnesses, in Sadiqabad and the surrounding region alone. The out of control dog population and impure drinking water has been the community's biggest challenge for many years. Fatima Group continues to play its role in ensuring the well-being of the community it operates in.

Fatima Mobile Clinic

Our biggest achievement in the year 2017 was the launch of the Fatima Mobile Clinic in June. By providing healthcare services to the areas where all other healthcare systems have failed to reach, Fatima Mobile Clinic provides door to door medical services to far flung villages. This small gesture from Fatima Group is winning hearts and creating health awareness for those less privileged.

Awards & Recognition

Pakistan Center for Philanthropy (PCP)

Pakistan Center for Philanthropy (PCP) is an organization responsible for publishing the Corporate Philanthropy Survey (CPS), a series that documents giving by the corporate sector in Pakistan, based on a survey of Public Listed Companies and a small sample of Public Unlisted Companies and Private Companies. The purpose of CPS is to generate knowledge, update existing information, recognize and promote the generous support of the business community for social development. Fatima Group was awarded in 2017 as one of the top three philanthropist organizations by volume of donations.

National Forum for Environment & Health (NFEH) Awards

Fatima was recognized at the ninth NFEH International CSR Award conference for its astounding work in two categories, Education & Scholarships and Healthcare Initiatives for the Community. Fatima won this award for the third consecutive year in 2017 amongst national and international giants.

International CSR Summit

Fatima was appreciated at the sixth international CSR Summit, on January 26, 2017, for its progressive health and education initiatives for the community.

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 2017, 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, 2017, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiary 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, 2017 and shall retire on the conclusion of the 15th 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 15th Annual General Meeting scheduled for April 30, 2018 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 27, 2018

Muhammad Kashif Habib
Chairman-Audit Committee

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2017

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. Ms. Anja Elisabeth Nielsen
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. A casual vacancy occurring on the Board on July 13, 2017 was filled up by the directors within one day.

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

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

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

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

9. All the elected directors are either exempt or have completed their mandatory directors’ training program. During the year, the independent director Ms. Anja Elisabeth Nielsen has obtained certification under Directors’ Training Program from the Institute of Directors.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment. There is no new appointment of CFO, Company Secretary and Head of Internal Audit 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 of 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 of 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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

Lahore
March 27, 2018

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, 2017 to comply with the requirements of Listing 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 non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of 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, 2017.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Dated: March 27, 2018
Lahore

Auditors' Report to the Members

We have audited the annexed balance sheet of Fatima Fertilizer Company Limited ("the Company") as at December 31, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,
- (ii) the expenditure incurred during the year was for the purpose of Company's business; and
- (iii) the business conducted, investments made and 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, 2017 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 27, 2018
Lahore

Balance Sheet

as at December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,500,000,000 (2016: 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 (2016: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	32,741,792	26,374,016
		53,741,792	47,374,016
NON CURRENT LIABILITIES			
Long term finances	7	10,774,286	16,342,734
Deferred liabilities	8	15,763,775	15,641,812
Long term deposits		51,269	50,767
		26,589,330	32,035,313
CURRENT LIABILITIES			
Trade and other payables	9	11,459,546	17,399,012
Accrued finance cost	10	167,823	259,420
Short term finances - secured	11	1,725,938	8,011,332
Current maturity of long term finances	7	5,652,048	5,518,025
		19,005,355	31,187,789
CONTINGENCIES & COMMITMENTS	12		
		99,336,477	110,597,118

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

	Note	2017	2016
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	72,989,957	72,941,374
Intangible assets	14	38,196	17,909
		73,028,153	72,959,283
Long term investments	15	2,238,400	2,238,400
Long term loan to associated company	16	2,999,000	2,999,000
Long term deposits		114,217	129,862
		78,379,770	78,326,545
CURRENT ASSETS			
Stores and spares	17	4,745,061	4,972,467
Stock in trade	18	3,813,626	6,242,649
Trade debts	19	1,796,351	2,115,557
Short term loans	20	3,966,888	2,448,888
Advances, deposits, prepayments and other receivables	21	5,626,723	5,190,668
Short term investment - available for sale		198,113	200,460
Cash and bank balances	22	809,945	11,099,884
		20,956,707	32,270,573
		99,336,477	110,597,118

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

Profit and Loss Account

for the year ended December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
Sales	23	37,611,818	33,764,644
Cost of sales	24	(17,275,276)	(15,779,727)
Gross profit		20,336,542	17,984,917
Distribution cost	25	(3,481,882)	(2,382,529)
Administrative expenses	26	(1,533,619)	(1,308,273)
		15,321,041	14,294,115
Finance cost	27	(2,198,268)	(2,739,412)
Other operating expenses	28	(913,370)	(630,759)
		12,209,403	10,923,944
Other income	29	526,866	702,558
Profit before tax		12,736,269	11,626,502
Taxation	30	(2,160,256)	(1,844,359)
Profit for the year		10,576,013	9,782,143
Earnings per share - basic and diluted (Rupees)	32	5.04	4.66

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

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

Statement of Comprehensive Income

for the year ended December 31, 2017

	2017	2016
	(Rupees in thousand)	
Profit for the year	10,576,013	9,782,143
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
(Deficit) / surplus on remeasurement of investments - available for sale	(2,267)	500
Related tax thereon	685	(155)
	(1,582)	345
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of post retirement benefits obligation	(8,608)	(16,691)
Related tax thereon	1,953	4,710
	(6,655)	(11,981)
Other comprehensive income - net of tax	(8,237)	(11,636)
Total comprehensive income for the year	10,567,776	9,770,507

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

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

Statement of Changes in Equity

for the year ended December 31, 2017

	Ordinary share capital	Share premium	Unappropriated profit	Post retirement benefit obligation reserve	Surplus / (deficit) on remeasurement of investment available for sale	Total
	(Rupees in thousand)					
Balance at December 31, 2015	21,000,000	1,790,000	17,468,946	(30,437)	–	40,228,509
Profit for the year	–	–	9,782,143	–	–	9,782,143
Other comprehensive income:						
Remeasurement of post retirement benefits obligation - net of tax	–	–	–	(11,981)	–	(11,981)
Surplus on remeasurement of investments available for sale - net of tax	–	–	–	–	345	345
Total comprehensive income	–	–	9,782,143	(11,981)	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 at December 31, 2016	21,000,000	1,790,000	24,626,089	(42,418)	345	47,374,016
Profit for the year	–	–	10,576,013	–	–	10,576,013
Other comprehensive income:						
Remeasurement of post retirement benefits obligation - net of tax	–	–	–	(6,655)	–	(6,655)
Deficit on remeasurement of investments available for sale - net of tax	–	–	–	–	(1,582)	(1,582)
Total comprehensive income	–	–	10,576,013	(6,655)	(1,582)	10,567,776
Transactions with owners:						
- Final dividend for the year ended December 31, 2016 @ Rs 2 per share	–	–	(4,200,000)	–	–	(4,200,000)
Balance at December 31, 2017	21,000,000	1,790,000	31,002,102	(49,073)	(1,237)	53,741,792

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

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

Cash Flow Statement

for the year ended December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	20,894,908	14,638,931
Net increase in long term deposits		502	17,764
Finance cost paid		(2,289,865)	(2,754,433)
Taxes paid		(1,794,867)	(1,183,025)
Employee retirement benefits paid		(56,686)	(37,126)
Net cash from operating activities		16,753,992	10,682,111
Cash flows from investing activities			
Additions in property, plant and equipment		(1,877,300)	(2,228,889)
Additions in intangible assets		(29,383)	(7,885)
Proceeds from disposal of property plant and equipment		2,083	868
Long term investments		–	(131,950)
Long term loan to associated company		–	(799,000)
Short term loans		(1,518,000)	(1,948,888)
Short term investment made		–	(200,000)
Proceeds from short term investment		80	40
Profit received on loans and saving accounts		458,632	415,053
Net decrease / (increase) in long term loans and deposits		15,645	(111,332)
Net cash used in investing activities		(2,948,243)	(5,011,983)
Cash flows from financing activities			
Repayment of long term finances	7.1	(5,518,025)	(15,747,059)
Proceeds from long term finances	7.1	–	17,627,575
Dividend paid		(4,199,594)	(2,620,484)
Repayment of / proceeds from oversubscribed Sukuks		(8,092,675)	8,092,675
Decrease in short term finances - net		(6,285,394)	(2,218,154)
Net cash (used in) / from financing activities		(24,095,688)	5,134,553
Net (decrease) / increase in cash and cash equivalents		(10,289,939)	10,804,681
Cash and cash equivalents at the beginning of the year		11,099,884	295,203
Cash and cash equivalents at the end of the year		809,945	11,099,884

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

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

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 company and associates are accounted for based on actual cost incurred to acquire subsidiary or associates rather than based on reported result of the investee company. Consolidated financial statements are prepared 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.

During the year, Companies Act, 2017 (the Act) was enacted on May 30, 2017, and came into force at once repealing Companies Ordinance, 1984. Subsequently, the Securities and Exchange Commission of Pakistan (SECP) has notified through Circular No. 23 of October 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the repealed Companies Ordinance, 1984.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2017

The following standards, amendments and interpretations are effective for the year ended December 31, 2017. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

– Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative. Effective from accounting period beginning on or after January 01, 2017.

– Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for un-realized losses. Effective from accounting period beginning on or after January 01, 2017.

Certain annual improvements have also been made to a number of IFRSs

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and 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
– IFRS 9 - 'Financial Instruments'.	July 01, 2018 as per directives issued by the SECP
– IFRS 15 - 'Revenue from Contracts with Customers'.	July 01, 2018 as per directives issued by the SECP
– Amendments to IFRS 2 - 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions.	January 01, 2018
– Amendments to IFRS 9 - 'Financial Instruments' Prepayment features with negative compensation.	January 01, 2019
– Amendments to IFRS 10 - 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective date is deferred indefinitely, earlier adoption is permitted
– Amendments to IAS 28 - 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures.	January 01, 2019
– Amendments to IAS 40 - 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
– Amendments to IFRS 3 - 'Business Combinations' and IFRS 11 'Joint Arrangements'. Clarification that when an entity obtains control / joint control of a business that is a joint operation, and entity does / does not remeasures previously held interests in that business.	January 01, 2019
– Amendments to IAS 12 - 'Income Taxes'. Clarification that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.	January 01, 2019
– Amendments to IAS 23 - 'Borrowing Costs'. Clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.	January 01, 2019
– 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
– IFRIC 23 - 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 - 'Income Taxes'.	January 01, 2019

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 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

Notes to and forming part of the Financial Statements
for the year ended December 31, 2017

3 Basis of measurement

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

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

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

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

a) Employee retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 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, 2017. Projected unit credit method is used for valuation of the scheme.

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

b) Accumulating compensated absences

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

c) Defined contribution plan - Provident Fund

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

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

4.3 Property, plant and equipment

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

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

4.4 Capital work in progress

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

4.5 Intangibles

Computer software

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

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

4.6 Leases

The Company is the lessee.

Operating leases

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

4.7 Investments

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

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

Financial assets at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

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

4.8 Financial instruments

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

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

4.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at 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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

4.14 Borrowings

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. 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.

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

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

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

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

4.19 Impairment

Financial assets

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

Non financial assets

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

4.20 Revenue recognition

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

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

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

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

4.21 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gain and losses on retranslation are recognized in the profit and loss account. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

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.

4.23 Earnings per share

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

5 Issued, subscribed and paid up share capital

2017	2016		2017	2016
(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

	2017	2016
	(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	480,290,785	270,343,091
Reliance Commodities (Private) Limited	–	209,863,694
Fazal Cloth Mills Limited	69,514,031	69,514,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
Arif Habib Equity (Private) Limited	54,409,500	–
	925,839,688	871,346,188

	Note	2017	2016
		(Rupees in thousand)	
6 Reserves			
Capital reserve:			
Share premium		1,790,000	1,790,000
Revenue reserves:			
Unappropriated profit		31,002,102	24,626,089
Post retirement benefit obligation reserve		(49,073)	(42,418)
(Deficit) / surplus on remeasurement of investments available for sale		(1,237)	345
		32,741,792	26,374,016
7 Long term finances			
Rated, listed and secured Ijarah Sukuk Certificates	7.2	8,400,000	10,500,000
Secured loans from banking companies / financial institutions	7.3	8,026,334	11,360,759
		16,426,334	21,860,759
Less: Current portion		5,652,048	5,518,025
		10,774,286	16,342,734

	2017	2016
	(Rupees in thousand)	
7.1 Movement of long term finances		
Opening balance	21,860,759	19,980,243
Availed during the year	–	17,627,575
Repayments	(5,518,025)	(15,747,059)
Exchange loss on translation of foreign currency loan	83,600	–
Closing balance	16,426,334	21,860,759
7.2 Rated, listed and secured Ijarah Sukuk Certificates		
Opening balance / Issued during the year	10,500,000	10,500,000
Less: Repayments during the year	2,100,000	–
	8,400,000	10,500,000
Less: Current portion	2,100,000	2,100,000
	6,300,000	8,400,000

The Sukuks are listed on Pakistan Stock Exchange. These Certificates were issued with face value of Rs 5,000 per certificate, for the principal purpose of repayment of the outstanding balance of Senior Facility (SF) - an existing long term loan of the Company. The SF was priced at 6 months KIBOR + 2% and was due to mature in November 2018.

The profit is payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The effective rate of markup charged during the year ranged from 7.20% to 7.28% (2016: 7.20%) per annum.

The Sukuks are secured by pari pssu charge over all present and future fixed assets of the Company. The credit rating of the Sukuks has been maintained at 'AA-' (Double A Minus) by PACRA on August 08, 2017.

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

	Note	2017	2016
		(Rupees in thousand)	
7.3 Secured loans from banking companies / financial institutions			
Syndicated Term Finance Agreement - II (STFA - II)		–	1,389,863
Syndicated Term Finance Agreement - III (STFA - III)	7.3.1	1,530,667	2,369,667
Syndicated Term Finance Agreement - IV (STFA - IV)	7.3.2	3,000,000	3,000,000
Export Credit Agency Finance	7.3.3	1,620,667	1,976,229
HBL Term Loan	7.3.4	1,875,000	2,625,000
		8,026,334	11,360,759
Less: Current portion		3,552,048	3,418,025
		4,474,286	7,942,734

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

7.3.1 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.

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 7.21% (2016: 7.05% to 7.57%) per annum .

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

The loan is repayable in five years with one year grace period in eight half yearly installments. Last repayment is due on October 26, 2020. During the year the Company has paid installments aggregating to Rs 839 million (2016: Rs 597.333 million).

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

This facility has been obtained 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 ranged from 7.11% to 7.19% (2016: 7.11%) 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.

7.3.3 Export Credit Agency Finance

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

The facility carries markup rate of 3 months LIBOR plus 4.25 % per annum. The effective rate of markup charged during the year ranged from 5.21% to 5.84% (2016: 4.66% to 5.21%) 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 four (2016: three) installments aggregating to USD 4.190 million (2016: USD 3.142 million).

7.3.4 HBL Term Loan

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

The facility carries markup at the rate of 6 months KIBOR plus 1.25% per annum. The effective rate of markup charged during the year ranged from 7.40% to 7.46% (2016: 7.37% to 7.40%) 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 two (2016: one) installments aggregating to Rs 750 million (2016: Rs 375 million).

7.3.5 The aggregate unavailed long term financing facilities amount to Rs Nil (2016: Rs 33 million).

	Note	2017	2016
		(Rupees in thousand)	
8 Deferred liabilities			
Deferred taxation	8.1	15,246,794	15,226,084
Employee retirement benefits	8.2	516,981	415,728
		15,763,775	15,641,812

8.1 Deferred taxation

2017

	At December 31, 2016	Charged / (credited) to profit and loss	Charged / (credited) to other comprehensive income	At December 31, 2017
	(Rupees in thousand)			
Deferred tax liabilities:				
Accelerated tax depreciation	15,279,998	39,361	–	15,319,359
Short term investment - available for sale	155	–	(685)	(530)
	15,280,153	39,361	(685)	15,318,829
Deferred tax asset:				
Provision for retirement benefits	(34,528)	(16,013)	–	(50,541)
Remeasurement of defined benefit obligation	(19,541)	–	(1,953)	(21,494)
	(54,069)	(16,013)	(1,953)	(72,035)
	15,226,084	23,348	(2,638)	15,246,794

2016

	At December 31, 2015	Charged / (credited) to profit and loss	Charged / (credited) to other comprehensive income	At December 31, 2016
	(Rupees in thousand)			
Deferred tax liabilities:				
Accelerated tax depreciation	15,109,567	170,431	–	15,279,998
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)
Remeasurement 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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

		Note	2017	2016
			(Rupees in thousand)	
8.2	**Employee retirement benefits**			
	Gratuity	8.2.1	348,551	304,348
	Accumulating compensated absences	8.2.2	168,430	111,380
			516,981	415,728
8.2.1	**Gratuity**			
a)	**Amount recognized in the balance sheet**			
	Present value of defined benefit obligations		348,551	304,348
	Net liability at the end of the year		348,551	304,348
b)	**Movement in liability**			
	Net liability at the beginning of the year		304,348	247,810
	Charge for the year		75,963	63,923
	Benefits paid during the year		(40,368)	(24,076)
	Remeasurement changes chargeable to other comprehensive income		8,608	16,691
	Net liability at the end of the year		348,551	304,348
c)	**Charge for the year**			
	Current service cost		53,274	47,812
	Liability transferred to sister company		–	(5,049)
	Interest cost		22,689	21,160
			75,963	63,923
d)	**Charge for the year has been allocated as follows:**			
	Cost of sales		59,642	48,198
	Administrative expenses		16,321	15,725
			75,963	63,923
e)	**Total remeasurement chargeable to other comprehensive income**			
	Remeasurement of plan obligation:			
	Actuarial gains from changes in financial assumptions		–	(775)
	Experience adjustments		8,608	17,466
			8,608	16,691

		2017	2016
		(Rupees in thousand)	
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	304,348	247,810
	Current service cost	53,274	47,812
	Interest cost	22,689	21,160
	Liability transferred to sister company	–	(5,049)
	Benefit paid during the year	(40,368)	(24,076)
	Remeasurement of plan obligation	8,608	16,691
	Defined benefit obligations at end of the year	348,551	304,348
g)	**The principal assumptions used in the actuarial valuation are as follows: -**		
	Discount rate for interest cost	8.0%	9.0%
	Discount rate for year end obligation	8.0%	8.0%
	Salary increase used for year end obligation	8.0%	8.0%
	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%	(29,248)	32,042
	Salary growth rate	1%	32,678	(30,370)

i) The expected contribution to defined benefit obligation for the year ending December 31, 2018 will be Rs 82.63 million.

		2017	2016
		(Rupees in thousand)	
8.2.2	**Accumulating compensated absences**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	168,430	111,380
	Net liability at the end of the year	168,430	111,380
b)	**Movement in liability**		
	Net liability at the beginning of the year	111,380	102,018
	Charge for the year	73,368	22,412
	Benefits paid during the year	(16,318)	(13,050)
	Net liability at the end of the year	168,430	111,380

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

		2017	2016
		(Rupees in thousand)	
c)	**Charge for the year**		
	Current service cost	9,252	8,296
	Interest cost	8,256	5,523
	Experience adjustment	55,860	8,593
		73,368	22,412
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	57,598	16,868
	Administrative expenses	15,770	5,544
		73,368	22,412
e)	**Movement in the present value of obligation**		
	Defined benefit obligation at beginning of the year	111,380	102,018
	Current service cost	9,252	8,296
	Interest cost	8,256	5,523
	Benefit paid during the year	(16,318)	(13,050)
	Experience adjustment	55,860	8,593
	Defined benefit obligations at end of the year	168,430	111,380
f)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	8.0%	9.0%
	Discount rate for year end obligation	8.0%	8.0%
	Salary increase used for year end obligation	8.0%	8.0%
	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%	(12,865)	13,614
	Salary growth rate	1%	13,039	(12,572)

	Note	2017	2016
		(Rupees in thousand)	
9 Trade and other payables			
Creditors	9.1	3,852,299	3,041,652
Advances from customers		4,373,226	2,588,669
Accrued liabilities		758,096	525,275
Withholding tax		74,604	149,278
Workers profit participation fund	9.2	2,107,309	2,796,742
Workers welfare fund	9.3	171,410	94,339
Retention money payable		40,688	29,267
Provident fund payable		10,588	10,892
Unclaimed dividend		24,556	24,150
Over subscribed Sukuk IPO		–	8,092,675
Others		46,770	46,073
		11,459,546	17,399,012

9.1 The amount includes Rs 2,817.233 million (2016: Rs 2,240.972 million) on account of Gas Infrastructure Development Cess (GIDC). On October 26, 2016, Honorable Sindh High Court struck down the GIDC ab initio being ultra-vires and ordered the Government of Pakistan (the Government) to refund all the amounts collected under GIDC. The Government has challenged the decision before a Division Bench of the Sindh High Court.

Taking a prudent approach the Company has continued to accrue GIDC on fuel stock only. 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 in Fertilizer Policy 2001.

	2017	2016
	(Rupees in thousand)	
9.2 Workers profit participation fund		
Balance at January 01	2,796,742	2,358,026
Charge for the year	677,805	566,856
Payment made during the year	(1,367,238)	(128,140)
Balance at December 31	2,107,309	2,796,742
9.3 Workers welfare fund		
Balance at January 01	94,339	1,085,387
Charge for the year	171,410	94,339
Reversal of provision during the year	(29,407)	(946,818)
Net charge for the year	142,003	(852,479)
Payment made during the year	(64,932)	(138,569)
Balance at December 31	171,410	94,339

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

		Note	2017	2016
			(Rupees in thousand)	
10	**Accrued finance cost**			
	On long term finances		101,059	116,236
	On short term finances		66,764	143,184
			167,823	259,420
11	**Short term finances**			
	Secured loans from banking companies			
	Cash finance	11.1	1,200,100	3,635,400
	Running finance	11.2	285,721	2,881,848
	Finance against imported merchandise	11.3	240,117	1,494,084
			1,725,938	8,011,332

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 6.34% to 7.28% (2016: 6.36% to 7.52%) 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 11,202.350 million (2016: Rs 5,334.670 million) on present and future current assets.

The facilities carry markup ranging from 5.78% to 7.29% (2016: 6.37% to 8.36%) per annum.

11.3 These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 6.54% to 7.26% (2016: 6.54% to 7.59%) per annum.

11.4 The aggregate unavailed short term borrowing facilities amount to Rs 13,235.326 million (2016: Rs 6,827.752 million).

12 Contingencies and commitments

12.1 Contingencies

(i) Following the order passed by the honorable Lahore High Court (the Court), the Company has filed an application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied / paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011. The rejection of the earlier application filed by the Company with FBR has been set aside and rendered unlawful and ultra vires by the court.

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

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

Earlier the case had been decided in favor of Company by ATIR against which ACIR filed a reference in Lahore High Court, which remanded it back to ACIR, who again decided the case against Company.

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

(v) The Company has filed appeal with the Customs Appellate Tribunal, Lahore against the following 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:

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

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

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

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

(viii) The Company has preferred an appeal with the Commissioner Inland Revenues (Appeals) against the order passed by the Deputy Commissioner Inland Revenues, Multan under section 122(1) of Income Tax Ordinance, 2001 for Tax year 2011, raising a demand of Rs 1,055.965 million by declaring the Company's trial run production / gain as commercial production and imposing income tax @ 35%.

(ix) The Company has filed an appeal before the Commissioner (Appeals) against the order passed by the Deputy Commissioner Inland Revenues, Multan under section 72B of Sales Tax Act, 1990 for period July 2013 to June 2014 imposing tax liability of Rs 117 Million.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

(x) 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.

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

		Note	2017	2016
			(Rupees in thousand)	
12.2	**Commitments in respect of:**			
(i)	Contracts for capital expenditure		1,130,885	572,861
(ii)	Contracts for other than capital expenditure		828,532	107,455
(iii)	The amount of future payments under non cancellable operating leases:			
	Not later than one year		294,355	288,876
	Later than one year but not later than five years		243,516	189,670
			537,871	478,546
13	**Property, plant and equipment**			
	Operating fixed assets - tangible	13.1	70,142,753	70,493,773
	Capital work in progress	13.2	2,847,204	2,447,601
			72,989,957	72,941,374

13.1 Operating fixed assets - tangible

2017

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2016	Additions / (deletions)	December 31, 2017	December 31, 2016	charge / (deletions)	December 31, 2017	December 31, 2017	rate
	(Rupees in thousand)							%
Freehold land	435,069	5,259	440,328	–	–	–	440,328	–
Building	3,839,933	501,713	4,341,646	716,382	158,406	874,788	3,466,858	4
Plant and machinery	73,497,031	817,077	74,314,108	7,284,418	1,475,120	8,759,538	65,554,570	4
Furniture and fixtures	87,471	4,602	92,073	39,655	8,324	47,979	44,094	10
Office equipment	39,887	6,429	46,316	15,059	4,092	19,151	27,165	10
Electrical installations and appliances	946,344	88,375	1,034,719	483,701	100,032	583,733	450,986	10
Computers	284,289	34,818	316,790	170,342	50,617	218,652	98,138	25
		(2,317)			(2,307)			
Vehicles	261,031	19,426	277,924	187,725	31,272	217,310	60,614	20
		(2,533)			(1,689)			
	79,391,055	1,477,699	80,863,904	8,897,282	1,827,863	10,721,151	70,142,753	
		(4,850)			(3,996)			

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)			

	2017	2016
	(Rupees in thousand)	
13.2 Capital work in progress		
Civil works	271,528	648,360
Plant and machinery	1,509,257	828,219
Capital stores	341,212	326,078
Advances		
- Freehold land	158,958	159,758
- Civil works	6,143	4,328
- Plant and machinery	260,106	180,858
- Other advances	300,000	300,000
	725,207	644,944
	2,847,204	2,447,601

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
13.2.1 Movement of capital work in progress			
Opening balance		2,447,601	4,018,510
Addition during the year		1,538,614	1,958,985
		3,986,215	5,977,495
Capitalization during the year		(1,139,011)	(2,613,512)
Plant and machinery written off		–	(916,382)
Closing balance		2,847,204	2,447,601
13.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	24	1,760,422	1,729,067
Administrative expenses	26	64,691	61,971
Distribution cost	25	2,750	3,486
		1,827,863	1,794,524

13.4 Disposal of operating fixed assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Particulars of buyers
			(Rupees in thousand)			
Computers						
Items having book value below Rs 50,000	2,317	2,307	10	183	173	
Vehicles						
Honda Civic 1799cc (sold by tender)	2,533	1,689	844	1,900	1,056	Amir Kareem House # 243-C, Street # 31, Sector G-6/2, Islamabad
2017	4,850	3,996	854	2,083	1,229	
2016	2,884	2,748	136	868	732	

14 Intangible assets

2017

	Cost			Accumulated amortization			Book value	Amortization rate
	December 31, 2016	Additions	December 31, 2017	December 31, 2016	Charge / (deletion)	December 31, 2017	December 31, 2017	
				(Rupees in thousand)				%
Computer software	82,948	29,383	112,331	65,039	9,096	74,135	38,196	25

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

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

	Note	2017	2016
		(Rupees in thousand)	
15 Long term investment			
Investment in wholly owned subsidiary companies - at cost			
Fatimafert Limited	15.1	2,152,454	2,152,444
Buber Sher (Pvt) Limited		–	10
		2,152,454	2,152,454
Investment in associated companies - at cost			
Multan Real Estate Company (Pvt) Limited	15.2	85,806	85,806
Fatima Electric Company Limited	15.3	140	140
Singfert Pte. Ltd.	15.4	–	–
		85,946	85,946
		2,238,400	2,238,400

15.1 Fatimafert Limited (FF) is a wholly owned subsidiary of the Company. The investment represents 100.001 million (2016: 100 million) fully paid ordinary shares of Rs 10 each. FF issued 1,000 ordinary shares during the year pursuant to the scheme of amalgamation by way of merger of Bubber Sher (Pvt) Limited (BSPL) in FF. BSPL was another wholly owned subsidiary of the Company which owned the “Bubber Sher” brand. BSPL now stands dissolved without winding-up by the order of the Court.

The principle business of FF is production, purchase and sale of fertilizers.

15.2 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.

15.3 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.

15.4 This represents investment in 1 fully paid ordinary shares of SGD 1 each 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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

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 terms of the agreement, the loan is for 5 years period with two and a half years as grace period. The loan is receivable in 6 semiannual installments for principal. Interest is 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 8.26% to 8.33% (2016: 8.27% to 8.63%) per annum.

The loan is fully secured against ranking charge on all present and future fixed assets of the associated company excluding immovable property i.e. land and buildings, Lamont boiler for nitric acid, Cessna aircraft, assets comprising of the CDM project and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

	Note	2017	2016
		(Rupees in thousand)	
17 Stores and spares			
Stores		218,082	244,080
Spares		3,578,721	3,845,187
Catalyst and chemicals		948,258	883,200
		4,745,061	4,972,467
18 Stock in trade			
Raw material {including in transit Rs 376.952 million (2016: 886.215 million)}		1,348,958	1,692,184
Packing material		3,543	7,181
Mid products			
Ammonia		6,362	10,986
Nitric Acid		3,360	4,507
Others		394	369
		10,116	15,862
Finished goods			
Urea		1,212,219	1,859,200
NP		538,127	1,405,781
CAN		631,772	1,193,754
Certified emission reductions		68,891	68,687
		2,451,009	4,527,422
		3,813,626	6,242,649
19 Trade debts			
Considered good:			
Secured		1,736,236	1,883,813
Un secured	19.1	60,115	231,744
		1,796,351	2,115,557

19.1 All these debtors are not past due.

	Note	2017	2016
		(Rupees in thousand)	
20 Short term loans			
Subsidiary company			
Fatimafert Limited	20.1	2,725,165	1,257,165
Associated company			
Reliance Commodities (Pvt) Limited	20.2	1,241,723	1,191,723
		3,966,888	2,448,888

20.1 This represents loan against aggregate approved facility of Rs 3,000 million provided to Fatimafert Limited to support functionality and business requirements. The approved limit was enhanced from Rs 1,500 million to Rs 3,000 million by the Board of Directors in their meeting held on August 23, 2017. 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 8.27% to 8.28% (2016: 7.93%) per annum. The maximum amount of loan outstanding during the year was Rs 2725.165 million.

20.2 This represents loan given to Reliance Commodities (Pvt) Limited, against approved limit of Rs 1,250 million. The loan is repayable within 30 business days' notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.17% to 8.28% (2016: 8.17% to 8.59%) 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 1,241.723 million.

	2017	2016
	(Rupees in thousand)	
21 Advances, deposits, prepayments and other receivables		
Advances - considered good		
- to employees	20,387	21,208
- to suppliers	264,308	298,680
	284,695	319,888
Margin deposits held by banks	27,704	28,099
Prepayments	164,694	47,320
Advance income tax paid	536,023	942,996
Receivable from Government of Pakistan		
-Advance sales tax	1,733,484	1,072,201
-Subsidy receivable	1,520,428	1,344,862
	3,253,912	2,417,063
Advance sales tax on receipts	241,935	142,023
Markup receivable	180,857	122,749
Others	936,903	1,170,530
	5,626,723	5,190,668

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

		Note	2017	2016
			(Rupees in thousand)	
22	**Cash and bank balances**			
	At banks			
	- saving accounts	22.1	158,329	173,575
	- current accounts		649,838	10,925,066
	Cash in hand		1,778	1,243
			809,945	11,099,884

22.1 The balances in saving accounts carry markup ranging from 5.00% to 5.25% (2016: 3.75% to 5.75%) per annum.

		Note	2017	2016
			(Rupees in thousand)	
23	**Sales**			
	Fertilizer Products :			
	- Local sales		34,711,350	31,863,695
	- Export sales		2,424,505	–
	Subsidy from Government of Pakistan	23.2	2,082,149	2,900,073
	Mid products		237,104	342,777
	Certified emission reductions		177,771	–
			39,632,879	35,106,545
	Less: Discounts		2,021,061	1,341,901
			37,611,818	33,764,644

23.1 Sales are exclusive of sales tax of Rs 3,911.435 million (2016: Rs 5,195.841 million).

23.2 This represents subsidy on sale of urea fertilizer at the rate of Rs 100 per 50 kg bag under subsidy scheme for Financial Year 2017-18 announced on August 07, 2017 under notification issued by the Ministry of Finance, Government of Pakistan and earlier subsidy scheme on sale of fertilizers announced on June 25, 2016 at the rate of Rs 156 per 50 kg bag of Urea, Rs 88 per 50 kg bag of CAN and Rs 130 per 50 kg bag of NP (based on Phosphorus content) under notifications issued by the Ministry of National Food Security and Research, Government of Pakistan.

	Note	2017	2016
		(Rupees in thousand)	

24 Cost of sales

	Note	2017	2016
Raw material consumed		5,044,240	6,268,528
Packing material consumed		837,092	811,418
Salaries, wages and other benefits	24.1	2,316,734	1,980,574
Fuel and power		2,788,586	3,503,974
Chemicals and catalyst consumed		461,546	384,015
Stores and spares consumed		1,081,135	614,306
Technical assistance		70,199	78,516
Repair and maintenance		390,073	284,799
Insurance		140,326	168,331
Travelling and conveyance		84,374	96,546
Rent, rates and taxes		80,208	44,664
Vehicle running and maintenance		46,532	39,737
Depreciation	13.3	1,760,422	1,729,067
Others		91,650	83,204
Manufacturing cost		15,193,117	16,087,679
Opening stock of mid products		15,862	29,457
Closing stock of mid products		(10,116)	(15,862)
Cost of goods manufactured		15,198,863	16,101,274
Opening stock of finished goods		4,527,422	4,205,875
Closing stock of finished goods		(2,451,009)	(4,527,422)
		17,275,276	15,779,727

24.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 156.891 million (2016: Rs 102.349 million).

	Note	2017	2016
		(Rupees in thousand)	

25 Distribution cost

	Note	2017	2016
Salaries, wages and other benefits		158,211	103,992
Fee for services	25.1	407,489	283,873
Rent, rates and taxes		285,124	219,587
Advertisement and sales promotion		334,222	185,879
Transportation and freight		2,247,766	1,564,883
Technical services to farmers		9,565	9,151
Others		39,505	15,164
		3,481,882	2,382,529

25.1 This amount represents fee for marketing and distribution services charged by Fatima Agri Sales and Services (Private) Limited, a related party.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

		Note	2017	2016
			(Rupees in thousand)	
26	**Administrative expenses**			
	Salaries, wages and other benefits	26.1	527,108	444,104
	Travelling and conveyance		102,747	130,568
	Vehicles' running and maintenance		18,521	13,405
	Insurance		7,941	6,540
	Communication and postage		20,627	26,891
	Printing and stationery		8,658	14,779
	Repair and maintenance		18,821	23,186
	Rent, rates and taxes	26.2	47,409	53,612
	Fees and subscription		41,166	28,096
	Entertainment		12,789	12,533
	Legal and professional	26.3	23,745	54,896
	Utilities		9,620	12,339
	Depreciation	13.3	64,691	61,971
	Amortization	14.1	9,096	16,346
	Charity and donation	26.4	586,293	372,884
	Others		34,387	36,123
			1,533,619	1,308,273

26.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 48.38 million (2016: Rs 35.375 million).

26.2 Rent, rates and taxes include operating lease rentals.

		2017	2016
		(Rupees in thousand)	
26.3	**This includes auditors' remuneration as follows:**		
	Annual audit fee	2,750	2,750
	Half yearly review fee	575	575
	Other certification	221	295
	Out of pocket expenses	379	607
		3,925	4,227

26.4 **This includes:**

– Rs 500 million (2016: Rs 320 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 10.6 million (2016: Rs 4.8 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.

		2017	2016
		(Rupees in thousand)	
27	**Finance cost**		
	Markup on long term finances	1,411,272	1,510,408
	Markup on short term finances	464,134	866,111
	Interest on Worker Profit Participation Fund	9,901	9,597
	Bank charges and others	312,961	353,296
		2,198,268	2,739,412
28	**Other operating expenses**		
	Plant and machinery written off	–	916,382
	Workers' Profit Participation Fund	677,805	566,856
	Workers' Welfare Fund	142,003	(852,479)
	Exchange loss - net	93,562	–
		913,370	630,759
29	**Other income**		
	Income from financial assets		
	Profit on loan to related parties	495,232	399,018
	Profit on short term investments and saving accounts	21,508	21,425
	Exchange gain - net	–	63,191
		516,740	483,634
	Income from non financial assets		
	Income from services	–	208,263
	Scrap sales	5,738	2,545
	Gain on disposal of property plant and equipment	1,228	732
	Others	3,160	7,384
		10,126	218,924
		526,866	702,558
30	**Taxation**		
	Current	2,136,908	1,675,811
	Deferred	23,348	168,548
		2,160,256	1,844,359

30.1 Assessments for Tax Years upto 2017 (Financial Year ended December 31, 2016) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

	2017	2016
	%	
30.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	30.00	31.00
Tax effect of:		
Prior year adjustment	(1.81)	(0.72)
Change in tax rate	(3.86)	(4.05)
Income exempt from income tax	(7.43)	(8.10)
Inadmissible expenses	0.06	(2.27)
	(13.04)	(15.14)
Average effective tax rate charged to profit and loss account	16.96	15.86

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. Significant transactions with related parties are as follows:

		2017	2016
		(Rupees in thousand)	
Relationship with the Company	**Nature of transaction**		
Subsidiary Company	Short term loan provided	1,468,000	1,257,165
	Other income	145,001	129,934
	Stores and spares	59	–
	Miscellaneous expenses	42,208	23,673
	Payment against business loss under Group relief	441,949	–
Associated companies	Long term loan provided	–	799,000
	Short term loan provided	50,000	691,723
	Miscellaneous expenses	339,091	99,721
	Sale of product	292	139,493
	Purchase of product	–	7,167
	Purchase of raw / packing material	832,836	861,586
	Other income	350,231	269,085
	Stores and spares	21,433	9,361
	Payment against assignment of sales tax refund	1,150,280	–
Other related parties	Fee for services	472,687	329,293
Retirement benefit plans	Retirement benefit expense	205,271	137,724

	2017	2016
	(Rupees in thousand)	
32 Earnings per share - basic and diluted		
Profit attributable to ordinary shareholders	10,576,013	9,782,143
	(Number of shares)	
Weighted average number of shares	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	5.04	4.66

	2017	2016
	Metric ton	
33 Capacity and Production		
Urea		
Designed production capacity	500,000	500,000
Actual production	474,094	507,161
CAN		
Designed production capacity	420,000	420,000
Actual production	444,752	471,929
NP		
Designed production capacity	360,000	360,000
Actual production	372,876	401,189

34 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		Executive Director		Executives	
	2017	2016	2017	2016	2017	2016
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	17,399	17,573	17,443	17,099	469,918	414,258
Housing	7,830	7,908	7,849	7,695	211,762	186,198
Utilities	–	–	–	–	46,935	41,369
Conveyance allowance and site allowance	–	–	–	–	132,884	118,139
LFA and bonus	8,276	7,241	8,276	7,241	272,864	217,892
Others	2,615	3,068	101	418	35,952	26,832
	36,120	35,790	33,669	32,453	1,170,315	1,004,688
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	96,870	79,384
Accumulating compensated absences	–	–	–	–	53,883	15,464
	36,120	35,790	33,669	32,453	1,321,068	1,099,536
Number of persons	1	1	1	1	332	292

34.1 No remuneration is paid to non executive directors.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

35 FINANCIAL RISK MANAGEMENT

35.1 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:

	2017	2016
	(FCY in thousand)	
Cash at banks – USD	554	285
Trade and other payables – USD	(15,256)	(20,414)
Net exposure – USD	(14,702)	(20,129)
Cash at banks – EUR	1,501	1
Trade and other payables – EUR	(602)	(374)
Net exposure – EUR	899	(373)

The following significant exchange rates were applied during the year:

	2017	2016
Rupees per USD		
Average rate	105.53	104.69
Reporting date rate	110.52	104.71
Rupees per EUR		
Average rate	119.18	112.43
Reporting date rate	132.03	110.32

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 52.733 million (2016: Rs 73.129 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2017	2016
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	158,329	173,575
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,999,000
Short term loans	3,966,888	2,448,888
Short term investment	198,113	200,460
Financial liabilities		
Long term finance	16,426,334	21,860,759
Short term finance - secured	1,725,938	8,011,332

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 net finance at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 76.918 million (2016: Rs 167.144 million) respectively higher / lower.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

(b) Credit risk

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

	2017	2016
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term deposits	114,217	129,862
Short term loans	3,966,888	2,448,888
Loans, advances, deposits and other receivables	3,203,660	1,321,378
Trade Debts - Un-secured	60,115	231,744
Bank balances	808,167	11,098,641
	11,152,047	18,229,513

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			2017	2016
	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
Askari Bank Limited	A1+	AA+	PACRA	2,159	103,324
Bank Alfalah Limited	A1+	AA+	PACRA	2,293	4,055
BankIslami Pakistan Limited	A1	A+	PACRA	2	31
Bank AL Habib Limited	A1+	AA+	PACRA	148,523	3,199
Citibank N.A	P-1	A1	Moody's	48	302
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	–	98,070
Faysal Bank Limited	A1+	AA	PACRA	2	246,933
Habib Bank Limited	A-1+	AAA	JCR-VIS	14,271	129,887
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	258,339	33,775
MCB Bank Limited	A1+	AAA	PACRA	149,460	14,755
Meezan Bank Limited	A-1+	AA	JCR-VIS	–	218,830
National Bank of Pakistan	A1+	AAA	PACRA	1,180	1,451
Sindh Bank Limited	A-1+	AA	JCR-VIS	11	13
Soneri Bank Limited	A1+	AA-	PACRA	122	96
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	144,090	144,740
Summit Bank Limited	A-1	A-	JCR-VIS	83,427	1,972,490
The Bank of Punjab	A1+	AA	PACRA	285	2,053
United Bank Limited	A-1+	AAA	JCR-VIS	3,954	4,084

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2017 the Company has Rs 13,235.326 million (2016: Rs 6,827.752 million) unutilized borrowing limits from financial institutions and Rs 809.944 million (2016: Rs 11,099.884 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2017:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	16,426,334	5,652,048	10,774,286	–
Short term finance - secured	1,725,938	1,725,938	–	–
Trade and other payables	4,732,997	4,732,997	–	–
Accrued finance cost	167,823	167,823	–	–
	23,053,092	12,278,806	10,774,286	–

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	11,769,983	11,769,983	–	–
Accrued finance cost	259,420	259,420	–	–
	41,901,494	25,558,760	16,342,734	–

35.2 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.

35.3 Financial instruments by categories

	2017		2016	
	Loans and receivables	Available for sale	Loans and receivables	Available for sale
	(Rupees in thousand)			
Financial assets as per balance sheet				
Long term loan to associated company	2,999,000	–	2,999,000	–
Long term deposits	114,217	–	129,862	–
Short term loan to related parties	3,966,888	–	2,448,888	–
Loans, advances, deposits and other receivables	3,203,660	–	1,321,378	–
Trade debts	1,796,351	–	2,115,557	–
Short term investment	–	198,113	–	200,460
Cash and bank balances	809,945	–	11,099,884	–
	12,890,061	198,113	20,114,569	200,460

Notes to and forming part of the Financial Statements

for the year ended December 31, 2017

	2017	2016
	(Rupees in thousand)	
Financial liabilities as per balance sheet - at amortised cost		
Long term finance	16,426,334	21,860,759
Short term finance - secured	1,725,938	8,011,332
Trade and other payables	4,732,997	11,769,984
Accrued finance cost	167,823	259,420
	23,053,092	41,901,495

35.4 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.

	2017	2016
	(Rupees in thousand)	
36 Cash generated from operations		
Profit before tax	12,736,269	11,626,502
Adjustments for :		
Depreciation on property, plant and equipment	1,827,863	1,794,524
Amortization of intangible assets	9,096	16,346
Finance cost	2,198,268	2,739,412
Provision for staff retirement benefits	149,331	86,335
Exchange loss on translation of foreign currency loan	83,600	–
Plant and machinery written off	–	916,382
Profit on short term loans to related parties	(495,232)	(399,018)
Profit on saving accounts	(21,508)	(21,425)
Gain on disposal of property, plant and equipment	(1,228)	(732)
	3,750,190	5,131,824
Operating cash flows before working capital changes	16,486,459	16,758,326
Effect on cash flow due to working capital changes:		
Decrease / (Increase) in current assets:		
Stores and spares	227,406	(512,263)
Stock in trade	2,429,023	760,015
Trade debts	319,206	(1,780,555)
Loans, advances, deposits, prepayments and other receivables	(784,920)	(1,380,991)
Increase in creditors, accrued and other liabilities	2,217,734	794,399
	4,408,449	(2,119,395)
	20,894,908	14,638,931

	2017	2016
	(Rupees in thousand)	

37 Provident fund

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

	2017	2016
Size of the fund	546,242	460,816
Cost of investment made	492,978	429,463
Fair value of investment	500,422	446,319
Percentage of investments made	90	93

37.1 The breakup of fair value of investments is as follows:

	2017		2016	
	(Rupees in thousand)	%age	(Rupees in thousand)	%age
Mutual funds	187,875	37	153,286	34
Scheduled banks	308,427	62	272,033	61
Redeemable capital	4,120	1	21,000	5
	500,422	100	446,319	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 108.51 million (2016: Rs 97.499 million) has been contributed during the year to the provident fund.

38 Number of employees

	2017	2016
Average number of employees during the year	1,916	1,763
Number of employees at end of the year	2,035	1,797

39 Non adjusting events after the balance sheet date

The Board of Directors in its Meeting held on March 27, 2018 proposed a final dividend of Rs 2.25 per share (2016: Rs 2 per share), amounting to Rs 4,725 million (2016: Rs 4,200 million), for approval of the members at the Annual General Meeting to be held on April 30, 2018.

40 Date of Authorization of Issue

These financial statements have been authorized for issue on March 27, 2018 by the Board of Directors of the Company.

41 General

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

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

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 company Fatimafert Limited as at December 31, 2017 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 and Fatimafert Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these 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 company as at December 31, 2017 and the results of their operations for the year then ended.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Dated: March 27, 2018
Lahore

Consolidated Balance Sheet

as at December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,500,000,000 (2016: 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 (2016: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	44,644,998	39,621,865
		65,644,998	60,621,865
NON CURRENT LIABILITIES			
Long term finances	7	13,751,619	20,808,734
Deferred liabilities	8	14,825,896	15,648,494
Long term deposits		56,626	60,076
		28,634,141	36,517,304
CURRENT LIABILITIES			
Trade and other payables	9	13,864,053	20,323,080
Accrued finance cost	10	259,961	397,818
Short term finances - secured	11	2,116,673	11,076,980
Current maturity of long term finances	7	7,140,715	5,518,025
		23,381,402	37,315,903
CONTINGENCIES & COMMITMENTS	12		
		117,660,541	134,455,072

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

	Note	2017	2016
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	86,704,799	86,938,905
Intangible assets	14	5,938,386	5,918,675
		92,643,185	92,857,580
Long term investments	15	85,946	85,946
Long term loan to associated Company	16	2,999,000	2,999,000
Long term deposits		114,743	130,388
		95,842,874	96,072,914
CURRENT ASSETS			
Stores and spares	17	5,564,520	5,648,254
Stock in trade	18	4,207,756	9,310,614
Trade debts	19	1,930,632	2,716,095
Short term loan	20	1,241,723	1,191,723
Loans, advances, deposits, prepayments and other receivables	21	7,842,835	7,731,342
Short term investment - available for sale		198,113	200,460
Cash and bank balances	22	832,088	11,583,670
		21,817,667	38,382,158
		117,660,541	134,455,072

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

Consolidated Profit and Loss Account

for the year ended December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
Sales	23	45,371,156	42,395,739
Cost of sales	24	(26,685,583)	(23,701,282)
Gross profit		18,685,573	18,694,457
Distribution cost	25	(3,610,140)	(2,724,645)
Administrative expenses	26	(1,736,973)	(1,475,662)
		13,338460	14,494,150
Finance cost	27	(2,707,253)	(3,236,395)
Other operating expenses	28	(914,015)	(630,778)
		9,717,192	10,626,977
Other income	29	403,094	469,482
Profit before tax		10,120,286	11,096,459
Taxation	30	(852,343)	(1,703,062)
Profit for the year		9,267,943	9,393,397
Earnings per share - basic and diluted (Rupees)	32	4.41	4.47

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

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

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2017

	2017	2016
	(Rupees in thousand)	
Profit for the year	9,267,943	9,393,397
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss :		
(Deficit) / Surplus on remeasurement of investments available for sale	(2,267)	500
Related tax thereon	685	(155)
	(1,582)	345
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of post retirement benefits obligation	(60,855)	22,129
Related tax thereon	17,627	(6,936)
	(43,228)	15,193
Other comprehensive income - net of tax	(44,810)	15,538
Total comprehensive income for the year	9,223,133	9,408,935

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

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

Consolidated Statement of Changes in Equity

for the year ended December 31, 2017

	Ordinary share capital	Share premium	Unappropriated profit	Post retirement benefit obligation reserve	Surplus / (deficit) on remeasurement of investment available for sale	Total
	(Rupees in thousand)					
Balance as at December 31, 2015	21,000,000	1,790,000	31,062,714	(14,784)	–	53,837,930
Profit for the year	–	–	9,393,397	–	–	9,393,397
Other comprehensive income:						
Remeasurement of post retirement benefits obligation - net of tax	–	–	–	15,193	–	15,193
Surplus on remeasurement of investments available for sale - net of tax	–	–	–	–	345	345
Total comprehensive income	–	–	9,393,397	15,193	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	37,831,111	409	345	60,621,865
Profit for the year	–	–	9,267,943	–	–	9,267,943
Other comprehensive income:						
Remeasurement of post retirement benefits obligation - net of tax	–	–	–	(43,228)	–	(43,228)
(Deficit) on remeasurement of investments available for sale - net of tax	–	–	–	–	(1,582)	(1,582)
Total comprehensive income	–	–	9,267,943	(43,228)	(1,582)	9,223,133
Transactions with owners:						
- Final dividend for the year ended December 31, 2016 @ Rs 2 per share	–	–	–	(4,200,000)	–	(4,200,000)
Balance as at December 31, 2017	21,000,000	1,790,000	42,899,054	(42,819)	(1,237)	65,644,998

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

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

Consolidated Cash Flow Statement

for the year ended December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	22,472,241	11,203,951
Net (decrease) / increase in long term deposits		(3,450)	17,764
Finance cost paid		(2,845,110)	(3,242,822)
Taxes paid		(1,951,407)	(1,247,695)
Employee retirement benefits paid		(75,716)	(56,077)
Net cash from operating activities		17,596,558	6,675,121
Cash flows from investing activities			
Additions in property, plant and equipment		(1,884,208)	(2,243,587)
Additions in intangible assets		(29,383)	(8,173)
Long term investment		–	(140)
Long term loan to associated company - net		–	(799,000)
Short term loan to associated company - net		(50,000)	(691,723)
Short term investment made		–	(200,000)
Proceeds from short term investment		80	40
Proceed from merger		10	–
Proceeds from disposal of property plant and equipment		4,727	2,463
Net decrease / (increase) in long term deposits		15,645	(111,242)
Profit received on loans and saving accounts		365,590	285,202
Net cash used in investing activities		(1,577,539)	(3,766,160)
Cash flows from financing activities			
Repayment of long term finance		(5,518,025)	(15,747,059)
Proceeds from long term finance		–	17,627,572
Repayment of / proceeds from oversubscribed Sukuks		(8,092,675)	8,092,675
Dividend paid		(4,199,594)	(2,620,484)
(Decrease) / Increase in short term finance - net		(8,960,307)	559,385
Net cash (used in) / from financing activities		(26,770,601)	7,912,089
Net (decrease) / increase in cash and cash equivalents		(10,751,582)	10,821,050
Cash and cash equivalents at the beginning of the year		11,583,670	762,620
Cash and cash equivalents at the end of the year		832,088	11,583,670

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

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

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 Limited. The control of FF and BSPL was transferred to the Holding Company on July 01, 2015.

BSPL was dissolved without winding up by the order of the court and amalgamated by way of merger into FF on April 03, 2017. Said scheme of merger was unanimously approved by the shareholders of BSPL and FF on January 20, 2017.

The principal activity of the Holding Company and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Principal activity of BSPL was 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 (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.

During the year, Companies Act, 2017 (the Act) was enacted on May 30, 2017, and came into force at once repealing Companies Ordinance, 1984. Subsequently, the Securities and Exchange Commission of Pakistan (SECP) has notified through Circular No. 23 of October 04, 2017, that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the repealed Companies Ordinance, 1984.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2017

The following standards, amendments and interpretations are effective for the year ended December 31, 2017. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

– Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative. Effective from accounting period beginning on or after January 01, 2017.

– Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for un-realized losses. Effective from accounting period beginning on or after January 01, 2017.

Certain annual improvements have also been made to a number of IFRSs

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and 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
–	IFRS 9 - 'Financial Instruments'. issued by the SECP	July 01, 2018 as per directives
–	IFRS 15 - 'Revenue from Contracts with Customers'. issued by the SECP	July 01, 2018 as per directives
–	Amendments to IFRS 2 - 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions.	January 01, 2018
–	Amendments to IFRS 9 - 'Financial Instruments' Prepayment features with negative compensation.	January 01, 2019
–	Amendments to IFRS 10 - 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective date is deferred indefinitely, earlier adoption is permitted
–	Amendments to IAS 28 - 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures.	January 01, 2019
–	Amendments to IAS 40 - 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
–	Amendments to IFRS 3 - 'Business Combinations' and IFRS 11 'Joint Arrangements'. Clarification that when an entity obtains control / joint control of a business that is a joint operation, and entity does / does not remeasures previously held interests in that business.	January 01, 2019
–	Amendments to IAS 12 - 'Income Taxes'. Clarification that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.	January 01, 2019
–	Amendments to IAS 23 - 'Borrowing Costs'. Clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.	January 01, 2019
–	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
–	IFRIC 23 - 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 - 'Income Taxes'.	January 01, 2019

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 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

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 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 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:

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 8.2.1 (g).

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.

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, 2017. 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.

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 wholly owned subsidiary company FF.

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).

Inter-company 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.

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 against cash consideration.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2017

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 noncontrolling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition related cost are expensed as incurred.

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 PPE of the FF 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 charged for the month in which asset is disposed off.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses

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.

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

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.

4.10 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

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 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.

4.19 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 profit and loss account in the periods when the hedged item will effect consolidated 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, 2017

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.

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

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

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

4.22 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). These 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

2017	2016		2017	2016
(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

	2017	2016
	(Number of Share)	
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	480,290,785	270,343,091
Reliance Commodities (Private) Limited	–	209,863,694
Fazal Cloth Mills Limited	69,514,031	69,514,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
Arif Habib Equity (Private) Limitd	54,409,500	–
	925,839,688	871,346,188

	Note	2017	2016
		(Rupees in thousand)	
6 Reserves			
Capital reserves:			
Share premium		1,790,000	1,790,000
Revenue reserves:			
Unappropriated profit		42,899,054	37,831,111
Post retirement benefit obligation reserve		(42,819)	409
(Deficit) / surplus on remeasurement of investments available for sale		(1,237)	345
		44,644,998	39,621,865
7 Long term finances			
Fatima Fertilizer Company Limited			
Rated, Listed and Secured Ijarah Sukuk	7.2	8,400,000	10,500,000
Secured loans from Banking companies / Financial institutions	7.3	8,026,334	11,360,759
		16,426,334	21,860,759
Less: Current portion		5,652,048	5,518,025
		10,774,286	16,342,734
Fatimafert Limited			
Musharaka arrangement	7.4	4,466,000	4,466,000
Less: Current portion		1,488,667	–
		13,751,619	20,808,734

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

		2017	2016
		(Rupees in thousand)	
7.1	**Movement of Long term finances**		
	Fatima Fertilizer Company Limited		
	Opening balance	21,860,759	19,980,243
	Availed during the year	–	17,627,575
	Repayments	(5,518,025)	(15,747,059)
	Exchange loss on translation of foreign currency loan	83,600	–
	Closing Balance	16,426,334	21,860,759
7.2	**Rated, Listed and Secured Ijarah Sukuk**		
	Opening balance / Issued during the year	10,500,000	10,500,000
	Less: Repayments during the year	2,100,000	–
		8,400,000	10,500,000
	Less: Current portion	2,100,000	2,100,000
		6,300,000	8,400,000

The Sukuks are listed on Pakistan Stock Exchange. These Certificates were issued with face value of Rs 5,000 per certificate for the principal purpose of repayment of the outstanding balance of Senior Facility (SF) - an existing long term loan of the Company. The SF was priced at 6 months KIBOR + 2% and was due to mature in November 2018.

The profit is payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The effective rate of markup charged during the year ranged from 7.20% to 7.28% (2016: 7.20%) per annum.

The Sukuks are secured by pari pssu charge over all present and future fixed assets of the Company. The credit rating of the Sukuks has been maintained at ‘AA-’ (Double A Minus) by PACRA on August 08, 2017.

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

		Note	2017	2016
			(Rupees in thousand)	
7.3	**Secured loans from Banking companies/ Financial institutions**			
	Fatima Fertilizer Company Limited			
	Syndicated Term Finance Agreement - II (STFA - II)		–	1,389,863
	Syndicated Term Finance Agreement - III (STFA - III)	7.3.1	1,530,667	2,369,667
	Syndicated Term Finance Agreement - IV (STFA - IV)	7.3.2	3,000,000	3,000,000
	Export Credit Agency Finance	7.3.3	1,620,667	1,976,229
	HBL Term Loan	7.3.4	1,875,000	2,625,000
			8,026,334	11,360,759
	Less: Current portion		3,552,048	3,418,025
			4,474,286	7,942,734

7.3.1 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.

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 7.21% (2016: 7.05% to 7.57%) per annum .

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

The loan is repayable in five years with one year grace period in eight half yearly installments. Last repayment is due on October 26, 2020. During the year the Company has paid installments aggregating to Rs 839 million (2016: Rs 597.333 million).

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

This facility has been obtained 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 ranged from 7.11% to 7.19% (2016: 7.11%) 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.

7.3.3 Export Credit Agency Finance

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

The facility carries markup rate of 3 months LIBOR plus 4.25 % per annum. The effective rate of markup charged during the year ranged from 5.21% to 5.84% (2016: 4.66% to 5.21%) 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 four (2016: three) installments aggregating to USD 4.190 million (2016: USD 3.142 million).

7.3.4 HBL Term Loan

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

The facility carries markup at the rate of 6 months KIBOR plus 1.25% per annum. The effective rate of markup charged during the year ranged from 7.40% to 7.46% (2016: 7.37% to 7.40%) 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 two (2016: one) installments aggregating to Rs 750 million (2016: Rs 375 million).

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

7.4 Musharaka arrangement

The Company had entered into a Musharaka agreement for long term finance facility of Rs 4,466 million based on Islamic Mode of Diminishing Musharaka (Shirkat-ul-Milk) with Meezan Bank Limited acting as Investment Agent against the Musharak Assets. The facility is for a period of 5 years, inclusive of a grace period of 2 years, while the first Musharaka buyout 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 six months KIBOR plus 1.5% per annum. KIBOR to be set on last working day prior to the beginning of each quarterly mark up period. The finance facility is secured by all present and future movable fixed assets (excluding land and buildings) and a corporate guarantee from Fatima Fertilizer Company Limited (the Holding Company).The effective rate of mark up charged during the year on Musharaka arrangements ranged from 7.57% to 7.67% (2016: 7.57% to 8.11%) per annum.

7.5 The aggregate unavailed long term financing facilities amount to Rs Nil (2016: Rs 33 million).

	Note	2017	2016
		(Rupees in thousand)	
8 Deferred liabilities			
Deferred taxation	8.1	14,234,362	15,210,092
Employee retirement benefits	8.2	591,534	438,402
		14,825,896	15,648,494
8.1 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		15,552,975	15,507,134
Short term investment - available for sale		(530)	155
		15,552,445	15,507,289
Deductible temporary difference:			
Carry forward losses		(1,223,356)	(236,000)
Provision for retirement benefits and others		(73,233)	(41,656)
Remeasurement of defined benefit obligation		(21,494)	(19,541)
		(1,318,083)	(297,197)
		14,234,362	15,210,092
8.2 Employee retirement benefits			
Gratuity	8.2.1	365,639	271,396
Accumulating compensated absences	8.2.2	225,895	167,006
		591,534	438,402
8.2.1 Gratuity			
a) Amount recognized in the balance sheet			
Present value of defined benefit obligations	(f)	537,938	490,263
Fair value of plan assets	(g)	(172,299)	(218,867)
Net liability at the end of the year		365,639	271,396

		Note	2017	2016
			(Rupees in thousand)	
b)	**Movement in liability**			
	Net liability at the beginning of the year		271,396	252,017
	Charge for the year	(c)	87,225	78,668
	Benefits paid during the year		(40,368)	(24,076)
	Contributions made during the year to the fund		(13,469)	(13,084)
	Remeasurement changes chargeable to other comprehensive income	(e)	60,855	(22,129)
	Net liability at the end of the year		365,639	271,396
c)	**Charge for the year**			
	Current service cost		67,602	62,724
	Liability transferred to sister company		–	(5,049)
	Interest cost		19,623	20,993
			87,225	78,668
d)	**Charge for the year has been allocated as follows:**			
	Cost of sales		69,451	60,402
	Administrative expenses		17,755	17,897
	Distribution cost		19	369
			87,225	78,668
e)	**Total remeasurement chargeable to other comprehensive income**			
	Remeasurement of plan obligation:			
	Actuarial loss from changes in financial assumptions		51	(983)
	Experience adjustments		17,920	23,299
	Remeasurements of fair value of plan assets		42,884	(44,445)
			60,855	(22,129)
f)	**Movement in the present value of defined benefit obligations**			
	Defined benefit obligations at beginning of the year		490,263	434,401
	Current service cost		62,336	59,976
	Interest cost		37,946	39,039
	Liability transferred to sister company		–	(5,049)
	Liability transferred from workers gratuity fund		916	4,102
	Benefits due but not paid		(950)	(2,540)
	Benefit paid during the year		(70,493)	(61,982)
	Remeasurement of plan obligation		17,920	22,316
	Defined benefit obligations at end of the year		537,938	490,263

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

		2017	2016
		(Rupees in thousand)	
g)	**Movement in the fair value of plan assets**		
	Fair value at beginning of the year	(218,867)	(182,384)
	Contributions made	(9,779)	(13,084)
	Interest income on planned assets	(16,696)	(15,298)
	Return on plan assets excluding interest income	42,884	(44,445)
	Assets to be transferred from workers gratuity fund	(916)	(4,100)
	Benefits due but not paid	950	2,540
	Benefits paid	30,125	37,904
	Fair value at end of the year	(172,299)	(218,867)
h)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	8.0%	9.0%
	Discount rate for year end obligation	8.0%	8.0%
	Salary increase used for year end obligation	8.0%	8.0%
	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%	(39,048)	42,907
	Salary growth rate	1%	43,656	(40,449)

j) The expected contribution to defined benefit obligation for the year ending December 31, 2018 will Rs 92.62 million.

		2017	2016
		(Rupees in thousand)	
8.2.2	**Accumulating compensated absences**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	225,895	167,006
	Net liability at the end of the year	225,895	167,006
b)	**Movement in liability**		
	Net liability at the beginning of the year	167,006	158,848
	Charge for the year	80,768	27,075
	Benefits paid during the year	(21,879)	(18,917)
	Net liability at the end of the year	225,895	167,006

		2017	2016
		(Rupees in thousand)	
c)	**Charge for the year**		
	Current service cost	11,030	9,733
	Interest cost	12,466	10,343
	Experience adjustment	57,272	6,999
		80,768	27,075
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	63,796	20,122
	Administrative expenses	16,972	6,758
	Distribution cost	–	195
		80,768	27,075
e)	**Movement in the present value of obligation**		
	Obligation at beginning of the year	167,006	158,848
	Current service cost	11,030	9,733
	Interest cost	12,466	10,343
	Benefit paid during the year	(21,879)	(18,917)
	Experience adjustment	57,272	6,999
	Defined benefit obligations at end of the year	225,895	167,006
f)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	8.0%	9.0%
	Discount rate for year end obligation	8.0%	8.0%
	Salary increase used for year end obligation	8.0%	8.0%
	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%	(16,775)	17,993
	Salary growth rate	1%	17,472	(16,560)

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

		Note	2017	2016
			(Rupees in thousand)	
9	**Trade and other payables**			
	Creditors	9.1	5,811,232	4,664,895
	Advances from customers		4,574,418	3,607,344
	Accrued liabilities		933,177	781,581
	Withholding tax		76,535	155,356
	Workers profit participation fund	9.2	2,107,309	2,796,742
	Workers welfare fund	9.3	189,272	112,201
	Retention money payable		42,539	31,168
	Provident fund payable		10,588	10,892
	Unclaimed dividend		24,556	24,150
	Over subscribed Sukuk IPO		–	8,092,675
	Others		94,427	46,076
			13,864,053	20,323,080

9.1 The amount includes Rs 4,209.383 million (2016: Rs 3,518.192 million) on account of Gas Infrastructure Development Cess (GIDC). On October 26, 2016, Honorable Sindh High Court struck down the GIDC ab initio being ultra-vires and ordered the Government of Pakistan (the Government) to refund all the amounts collected under GIDC. The Government has challenged the decision before a Division Bench of the Sindh High Court.

Taking a prudent approach to date the Holding Company has accrued Rs 2,817.233 million (2016: Rs 2,240.972 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 1,392.150 million (2016: Rs 1,277.22 million) on both feed and fuel stock.

		2017	2016
		(Rupees in thousand)	
9.2	**Workers profit participation fund**		
	Balance as at January 01	2,796,742	2,358,026
	Provision for the year	677,805	566,856
	Payment made during the year	(1,367,238)	(128,140)
	Balance at December 31	2,107,309	2,796,742
9.3	**Workers welfare fund**		
	Balance as at January 01	112,201	1,103,249
	Provision for the year	171,410	94,339
	Reversal of provision during the year	(29,407)	(946,818)
	Net Charge for the year	142,003	(852,479)
	Payment made during the year	(64,932)	(138,569)
	Balance at December 31	189,272	112,201

	Note	2017	2016
		(Rupees in thousand)	
10 Accrued finance cost			
On long term finances		189,275	203,302
On short term finances		70,686	194,516
		259,961	397,818
11 Short term finances			
Secured loans from Banking companies			
Fatima Fertilizer Company Limited			
Cash finance	11.1	1,200,100	3,635,400
Running finance	11.2	285,721	2,881,848
Finance against Imported Merchandise	11.3	240,117	1,494,084
		1,725,938	8,011,332
Fatimafert Limited			
Cash finance	11.4	–	2,412,918
Running finance	11.5	390,735	385,730
Finance against Imported Merchandise	11.6	–	267,000
		390,735	3,065,648
		2,116,673	11,076,980

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 6.34% to 7.28% (2016: 6.36% to 7.52%) 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 11,202.350 million (2016: Rs 5,334.670 million) on present and future current assets.

The facilities carry markup ranging from 5.78% to 7.29% (2016: 6.37% to 8.36%) per annum.

11.3 These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 6.54% to 7.26% (2016: 6.54% to 7.59%) 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. These carry markup ranging from 7.12% to 7.53% (2016: 6.76% to 7.60%) per annum.

11.5 These facilities have been obtained from a commercial bank for working capital requirements, and are secured by way of hypothecation charge on all present and future current assets of the Company amounted upto Rs 613 million. These carry markup ranging from 7.26% to 7.29% (2016: 7.24% to 7.52%) per annum.

11.6 These facilities have been obtained from various commercial banks carrying markup rate ranging from 6.90% to 7.28%(2016: 7.22% to 7.26%) per annum.

11.7 The aggregate unavailed short term borrowing facilities amount to Rs 16,419.326 million (2016: Rs 8,842.752 million).

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

12 Contingencies and commitments

12.1 Contingencies

12.1.1 Fatima Fertilizer Company Limited

(i) Following the order passed by the honorable Lahore High Court (the Court), the Company has filed an application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied/paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011. The rejection of the earlier application filed by the Company with FBR has been set aside and rendered unlawful and ultra vires by the court.

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

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

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

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

(v) The Company has filed appeal with the Customs Appellate Tribunal, Lahore against the following 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:

- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million.
- Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.604 million.

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

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

(viii) The Company has preferred an appeal with the Commissioner Inland Revenues (Appeals) against the order passed by the Deputy Commissioner Inland Revenues, Multan under section 122(1) of Income Tax

Ordinance, 2001 for Tax year 2011, raising a demand of Rs 1,055.965 Million by declaring the Company's Trial run production / gain as Commercial production and imposing income tax @ 35%.

(ix) The Company has filed an appeal before the Commissioner (Appeals) against the order passed by the Deputy Commissioner Inland Revenues, Multan under section 72B of Sales Tax Act, 1990 for period July 2013 to June 2014 imposing tax liability of Rs 117 Million.

(x) 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.

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

12.1.2 Fatimafert Limited

(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 9.1, 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) The Company has challenged the traiff adjustment wide petition No: 52932 / 2017 before the Honorable Lahore High Court. Taking the prudent approach the Company has recorded the tariff adjustment of Rs 515 million. However, no provision for related mark up is made in these financial statement.

(iv) 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 shareholders and holding Company in respect of these contingencies, therefore, these are not disclosed in these financial statements.

12.2 Commitments

12.2.1 Fatima Fertilizer Company Limited

		2017	2016
		(Rupees in thousand)	
(i)	Contracts for capital expenditure	1,130,885	572,861
(ii)	Contracts for other than capital expenditure	828,532	107,455
(iii)	The amount of future payments under non cancellable operating leases:		
	Not later than one year	294,355	288,876
	Later than one year but not later than five years	243,516	189,670
		537,871	478,546

12.2.2 Fatimafert Limited commitments in respect of:

		2017	2016
(i)	Letters of credit for purchase of raw materials and spares	3,764	80,201
		3,764	80,201

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	2017	2016
		(Rupees in thousand)	
13 Property, plant and equipment			
Operating fixed assets - tangible	13.1	83,626,121	84,258,748
Capital work in progress	13.2	3,078,678	2,680,157
		86,704,799	86,938,905

13.1 Operating fixed assets - tangible

2017

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2016	Additions / (deletions)	December 31, 2017	December 31, 2016	charge / (deletions)	December 31, 2017	December 31, 2017	rate
	(Rupees in thousand)							%
Freehold land	1,599,069	5,259	1,604,328	–	–	–	1,604,328	–
Building	4,441,332	501,713	4,943,045	752,466	182,462	934,928	4,008,117	4 - 5
Plant and machinery	85,904,301	817,077	86,721,378	7,669,516	1,732,437	9,401,953	77,319,425	4 - 7.5
Furniture and fixtures	90,029	4,685	94,714	40,584	8,861	49,445	45,269	10
Office equipment	47,956	6,776	54,732	18,858	6,249	25,107	29,625	10 - 12.5
Electrical installations and appliances	946,344	88,375	1,034,719	483,701	100,032	583,733	450,986	10
Computers	291,287	42,376	331,068	172,565	54,786	224,769	106,299	25 - 33.33
		(2,595)			(2,582)			
Vehicles	257,768	19,426	266,846	181,648	32,551	204,774	62,072	20
		(10,348)			(9,425)			
	93,578,086	1,485,687	95,050,830	9,319,338	2,117,378	11,424,709	83,626,121	
		(12,943)			(12,007)			

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)			

	2017	2016
	(Rupees in thousand)	
13.2 Capital work in progress		
Civil works	277,633	654,843
Plant and machinery	1,534,598	852,021
Capital stores	541,240	528,349
Advances		
- Freehold land	158,958	159,758
- Civil works	6,143	4,328
- Plant and machinery	260,106	180,858
- Other advances	300,000	300,000
	725,207	644,944
	3,078,678	2,680,157
13.2.1 Movement of capital work in progress		
Opening balance	2,680,157	4,384,747
Addition during the year	1,542,232	1,959,725
	4,222,389	6,344,472
Capitalization during the year	(1,139,011)	(2,613,512)
Plant and machinery written off	–	(916,382)
Steam/gas turbines disposed off	–	(131,813)
Provision for obsolescence for Capital Stores	(4,700)	(2,608)
Closing balance	3,078,678	2,680,157
13.3 The depreciation charge for the year has been allocated as follows:		
Cost of sales	2,045,803	2,014,689
Administrative expenses	68,783	66,258
Distribution Cost	2,792	3,486
	2,117,378	2,084,433

13.4 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Particulars of buyers
			(Rupees in thousand)			
Computers						
Items having book value below Rs 50,000	2,317	2,307	10	183	173	Various
Vehicles						
Honda Civic 1799cc (sold by tender)	2,533	1,689	844	1,900	1,056	Amir Kareem House # 243-C, Street # 31, Sector G-6/2, Islamabad.
Items having book value below Rs 50,000	7,815	7,736	79	2,626	2,547	Various
Various						
Items having book value below Rs 50,000	278	275	3	18	15	Various
2017	12,943	12,007	936	4,727	3,791	
2016	8,511	7,743	768	2,463	1,695	

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

14 Intangible assets

2017

	Cost			Accumulated amortization			Book value	Amortization
	December 31, 2016	Additions	December 31, 2017	December 31, 2016	Charge / (deletion)	December 31, 2017	December 31, 2017	rate
	(Rupees in thousand)							%
Bubber Sher Brand	5,900,000	–	5,900,000	–	–	–	5,900,000	–
Computer software	85,615	29,383	114,998	66,940	9,672	76,612	38,386	25
	5,985,615	29,383	6,014,998	66,940	9,672	76,612	5,938,386	

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	

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

	Note	2017	2016
		(Rupees in thousand)	
15 Long term investment in associated companies			
Multan Real Estate Company (Pvt) Limited	15.1	85,806	85,806
Fatima Electric Company Limited	15.2	140	140
Singfert PTE. Ltd.	15.3	–	–
		85,946	85,946

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 each 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 (MFC), USA. MFC is setting up a nitrogen fertilizer project in the state of Indiana, USA.

15.4 The Group has recorded this investments in associated companies at cost. The associated undertakings have not yet started their commercial operations and effect of adjustment of share of profit or loss of the investee is not expected to be material / significant to the overall consolidated financial statements of the Group.

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 terms of the agreement, the nature of 5 years period with two and a half years as grace period. The loan is receivable in 6 semiannual installments for principal. Interest is 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 8.26% to 8.33% (2016: 8.27% to 8.63%) per annum.

The loan is fully secured against ranking charge on all present and future fixed assets of the associated company excluding immovable property i.e. land and buildings, Lamont boiler for nitric acid, Cessna aircraft, assets comprising of the CDM project and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

	Note	2017	2016
		(Rupees in thousand)	
17 Stores and spares			
Stores		428,594	496,969
Spares		4,341,863	4,407,714
Catalyst and chemicals		948,258	883,200
		5,718,715	5,787,883
Provision for obsolete items	17.1	(154,195)	(139,629)
		5,564,520	5,648,254
17.1 Movement of provision for obsolete items			
Opening balance		139,629	128,480
Add: Provision charged		14,566	11,149
Less: Provision charged to capital spares		–	–
		14,566	11,149
Closing balance		154,195	139,629
18 Stock in trade			
Raw material {including in-transit Rs 376.952 million (2016: 886.215 million)}		1,348,958	1,692,184
Packing material		30,700	13,174
Mid Products			
Ammonia		76,626	95,583
Nitric Acid		3,360	4,507
Others		394	369
		80,380	100,459
Finished goods			
- own manufactured			
Urea		1,212,219	4,540,776
NP		538,127	1,405,781
CAN		631,772	1,193,754
Emission reductions		68,891	68,687
		2,451,009	7,208,998
- purchased for resale			
DAP		296,709	295,799
		4,207,756	9,310,614

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

		2017	2016
		(Rupees in thousand)	
19	**Trade debts**		
	Secured by bank guarantees	1,859,554	2,484,351
	Un secured - considered good	71,078	231,744
		1,930,632	2,716,095

20 This represents loan given to Reliance Commodities (Pvt) Limited, against approved limit of Rs 1,250 million. The loan is repayable within 30 business days' notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.17% to 8.28% (2016: 8.17% to 8.59%) 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 1,241.723 million.

		2017	2016
		(Rupees in thousand)	
21	**Loans, advances, deposits, prepayments and other receivables**		
	Advances - considered good		
	- to employees	21,166	21,929
	- to suppliers	331,132	393,379
		352,298	415,308
	Margin deposits held by banks	87,704	88,099
	Prepayments	173,441	57,135
	Advance income tax	1,377,626	1,319,224
	Receivable from Government of Pakistan		
	- Advance sales tax paid	2,731,407	2,378,332
	- Subsidy receivable	1,751,115	1,984,598
		4,482,522	4,362,930
	Advance sales tax on receipts	241,935	142,023
	Markup receivable	129,117	122,749
	Others	998,192	1,223,874
		7,842,835	7,731,342

	Note	2017	2016
		(Rupees in thousand)	

22 Cash and bank balances

	Note	2017	2016
At banks			
- saving accounts	22.1	159,247	534,864
- current accounts		670,883	11,047,284
Cash in hand		1,958	1,522
		832,088	11,583,670

22.1 The balances in saving accounts carry markup ranging from 3.8% to 5.25% (2016: 3.75% to 5.75%) per annum.

	Note	2017	2016
		(Rupees in thousand)	

23 Sales

	Note	2017	2016
Fertilizer Products			
- own manufactured			
- Local Sales		39,602,207	38,433,298
- Export Sales		2,424,505	–
- purchased for resale		1,969,752	972,109
Subsidy from Government of Pakistan	23.2	2,918,351	3,809,346
Mid products		487,076	616,842
Certified Emission Reductions		177,771	–
		47,579,662	43,831,595
Discounts		(2,208,506)	(1,435,856)
		45,371,156	42,395,739

23.1 Sales are exclusive of sales tax of Rs 4,559.524 million (2016: Rs 5,819.669 million).

23.2 This represents subsidy on sale of urea fertilizer at the rate of Rs 100 per 50 kg bag under subsidy scheme for Financial Year 2017-18 announced on August 07, 2017 under notification issued by the Ministry of Finance, Government of Pakistan and earlier subsidy scheme on sale of fertilizers announced on June 25, 2016 at the rate of Rs 156 per 50 kg bag of Urea Rs 88 per 50 kg bag of CAN and Rs 130 per 50 kg bag of NP (based on Phosphorus content) under notifications issued by the Ministry of National Food Security and Research, Government of Pakistan.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2017

		Note	2017	2016
			(Rupees in thousand)	
24	**Cost of sales**			
	Raw material consumed		8,075,608	13,032,917
	Packing material consumed		897,677	1,016,845
	Salaries, wages and other benefits	24.1	2,882,850	2,559,179
	Fuel and power		3,329,107	4,985,225
	Chemicals and catalyst consumed		496,685	494,261
	Stores and spares consumed		1,219,022	754,261
	Technical assistance		70,783	78,738
	Repair and maintenance		404,333	311,954
	Insurance		177,483	213,775
	Travelling and conveyance		122,378	130,422
	Rent, rates and taxes		179,470	55,463
	Vehicle running and maintenance		57,514	51,279
	Depreciation	13.3	2,045,803	2,014,689
	Others		108,337	134,585
	Manufacturing cost		20,067,050	25,833,593
	Opening stock of mid products		100,459	77,526
	Closing stock of mid products		(80,380)	(100,459)
	Cost of goods manufactured		20,087,129	25,810,660
	Opening stock of finished goods		7,208,998	4,208,634
	Closing stock of finished goods		(2,451,009)	(7,208,998)
	Cost of sales - own manufactured		24,845,118	22,810,296
	Cost of sales - purchased for resale		1,840,465	890,986
			26,685,583	23,701,282

24.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 187.59 million (2016: Rs 134.682 million).

		Note	2017	2016
			(Rupees in thousand)	
25	**Distribution cost**			
	Salaries, wages and other benefits		158,824	110,348
	Fee for services	25.1	492,047	351,040
	Rent, rates and taxes		285,164	220,067
	Advertisement and sales promotion		340,225	187,793
	Transportation and freight		2,282,441	1,829,657
	Technical services to farmers		9,565	9,151
	Others		41,874	16,589
			3,610,140	2,724,645

25.1 Group has outsourced its marketing and distribution function. The amount represents fee for marketing and distribution services charged by Fatima Agri Sales and Services (Pvt) Limited, a related party.

	Note	2017	2016
		(Rupees in thousand)	
26 Administrative expenses			
Salaries, wages and other benefits	26.1	656,016	538,869
Travelling and conveyance		106,050	135,547
Vehicles' running and maintenance		23,399	16,450
Insurance		8,060	6,837
Communication and postage		25,158	30,925
Printing and stationery		10,865	17,998
Repair and maintenance		23,375	35,531
Rent, rates and taxes	26.2	65,016	65,229
Fees and subscription		42,580	28,624
Entertainment		13,492	12,988
Legal and Professional	26.3	40,111	74,477
Utilities		14,297	16,597
Depreciation	13.3	68,783	66,258
Amortization	14.1	9,672	17,627
Charity and donation	26.4	586,376	372,910
Others		43,723	38,795
		1,736,973	1,475,662

26.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 53.28 million (2016: Rs 40.767 million).

26.2 Rent, rates and taxes include operating lease rentals.

	2017	2016
	(Rupees in thousand)	
26.3 This includes auditors' remuneration as follows:		
Annual audit fee	3,850	4,313
Half yearly review fee	575	575
Other certification	221	295
Out of pocket expenses	522	946
	5,168	6,129

26.4 This includes:

– Rs 500 million (2016: Rs 320 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 10.6 million (2016: Rs 4.8 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 Consolidated Financial Statements

for the year ended December 31, 2017

	2017	2016
	(Rupees in thousand)	
27 Finance cost		
Markup on long term finances	1,751,849	1,861,754
Markup on short term finances	599,613	993,603
Interest on Worker Profit Participation Fund	9,901	9,597
Bank charges and others	345,890	371,441
	2,707,253	3,236,395
28 Other operating expenses		
Plant and machinery written off	–	916,382
Workers' Profit Participation Fund	677,805	566,856
Workers' Welfare Fund	142,003	(852,479)
Exchange loss - net	94,207	19
	914,015	630,778
29 Other income		
Income from financial assets		
Profit on loan to related parties	350,231	269,085
Profit on short term investments and saving accounts	21,727	21,507
Exchange gain - net	–	63,191
Income from assets other than financial assets		
Bargain purchase gain	–	(131,810)
Income from services	–	208,263
Rental income	14,400	15,169
Scrap sales	5,738	2,545
Gain on disposal of property plant and equipment	3,791	1,695
Others	7,207	19,837
	403,094	469,482
30 Taxation		
Current	2,251,713	1,762,122
Deferred	(1,399,370)	(59,060)
	852,343	1,703,062

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:

		2017	2016
		(Rupees in thousand)	
Relationship with the Group	**Nature of transaction**		
Associated companies	Long term loan provided	–	799,000
	Short term loan provided	50,000	691,723
	Miscellaneous expenses	368,826	108,044
	Sale of product	292	139,493
	Purchase of product	–	7,167
	Purchase of raw / packing material	849,477	985,078
	Other income	350,231	269,085
	Stores and spares	21,433	9,361
	Payment against assignment of sales tax refund	1,150,280	–
Other related parties	Fee for services	570,801	407,205
Retirement benefit plans	Retirement benefit expense	243,183	174,577

32 Earnings per share - basic and diluted

	2017	2016
Profit attributable to ordinary shareholders	9,267,943	9,393,397
	(Number of shares)	
Weighted average number of shares	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	4.41	4.47

33 Capacity and Production

	2017	2016
	Metric ton	
Urea		
Designed production capacity	945,500	945,500
Actual production	586,710	867,096
CAN		
Designed production capacity	420,000	420,000
Actual production	444,752	471,929
NP		
Designed production capacity	360,000	360,000
Actual production	372,876	401,189

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

34 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		Executive Director		Executives	
	2017	2016	2017	2016	2017	2016
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	17,399	17,573	17,443	17,099	635,587	591,651
Housing	7,830	7,908	7,849	7,695	247,849	222,799
Utilities	–	–	–	–	63,502	59,108
Conveyance allowance and site allowance	–	–	–	–	132,884	118,139
LFA & bonus	8,276	7,241	8,276	7,241	272,864	217,892
Others	2,615	3,068	101	418	40,151	31,387
	36,120	35,790	33,669	32,453	1,392,837	1,240,976
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	118,512	100,869
Accumulating compensated absences	–	–	–	–	53,883	15,464
	36,120	35,790	33,669	32,453	1,565,232	1,357,309
Number of persons	1	1	1	1	431	395

34.1 No remuneration is paid to non executive directors.

35 FINANCIAL RISK MANAGEMENT

35.1 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 are 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:

	2017	2016
	(FCY in thousand)	
Cash at banks – USD	563	285
Trade and other payables – USD	(15,256)	(20,414)
Net exposure – USD	(14,693)	(20,129)
Cash at banks – EUR	1,501	1
Trade and other payables – EUR	(602)	(374)
Net exposure – EUR	899	(373)

The following significant exchange rates were applied during the year:

	2017	2016
Rupees per USD		
Average rate	105.53	104.69
Reporting date rate	110.52	104.71
Rupees per EUR		
Average rate	119.18	112.43
Reporting date rate	132.03	110.32

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 52.762 million (2016: Rs 73.179 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 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 Group have no significant long-term interest-bearing assets. The Group's interest rate risk arises from long term financing. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

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

	2017	2016
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	159,247	534,864
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,999,000
Short term loan to associated company	1,241,723	1,191,723
Short term investment	198,113	200,460
Financial liabilities		
Long term finance	20,892,334	26,326,759
Short term finances - secured	2,116,673	11,076,980

Fair value sensitivity analysis for fixed rate instruments

The Group do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect 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 129.991 million (2016: Rs 231.088 million) respectively higher / lower.

(b) Credit risk

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

	2017	2016
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term deposits	114,743	130,388
Short term loan to associated company	1,241,723	1,191,723
Loans, advances, deposits and other receivables	4,501,823	1,434,722
Trade debts - unsecured	71,078	231,744
Bank balances	832,088	11,583,670
	9,760,455	17,571,247

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			2017	2016
	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	173	2,669
Askari Bank Limited	A1+	AA+	PACRA	2,159	103,324
Bank Alfalah Limited	A1+	AA+	PACRA	11,005	4,768
BankIslami Pakistan Limited	A1	A+	PACRA	2	31
Bank AL Habib Limited	A1+	AA+	PACRA	148,779	10,188
Citibank N.A	P-1	A1	Moody's	48	302
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	-	98,070
Faysal Bank Limited	A1+	AA	PACRA	203	246,933
Habib Bank Limited	A-1+	AAA	JCR-VIS	25,729	598,303
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	258,361	33,896
MCB Bank Limited	A1+	AAA	PACRA	148,997	15,303
Meezan Bank Limited	A-1+	AA	JCR-VIS	163	219,067
National Bank of Pakistan	A1+	AAA	PACRA	1,320	5,144
Soneri Bank Limited	A1+	AA-	PACRA	127	96
Summit Bank Limited	A-1	A-	JCR-VIS	84,679	1,974,595
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	144,090	144,740
United Bank Limited	A-1+	AAA	JCR-VIS	3,954	4,084
The Bank of Punjab	A1+	AA	PACRA	285	2,053
Sindh Bank Limited	A-1+	AA	JCR-VIS	56	131

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, 2017 the Group has Rs 16,419.326 million (2016: Rs 8,875.752 million) unutilized borrowing limits from financial institutions and Rs 832.087 million (2016: Rs 11,583.670 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2017:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	20,892,334	7,140,715	13,751,619	–
Short term finance - secured	2,116,673	2,116,673	–	–
Trade and other payables	7,137,504	7,137,504	–	–
Accrued finance cost	259,961	259,961	–	–
	30,406,472	16,654,853	13,751,619	–

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2017

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	–

35.2 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.

35.3 Financial instruments by categories

	2017		2016	
	Loans and receivables	Available for sale	Loans and receivables	Available for sale
	(Rupees in thousand)			
Financial assets as per balance sheet				
Long term loan to associated company	2,999,000	–	2,999,000	–
Long term deposits	114,743	–	130,388	–
Short term loan to associated companies	1,241,723	–	1,191,723	–
Loans, advances, deposits and other receivables	4,501,823	–	1,434,722	–
Trade debts	1,930,632	–	2,716,095	–
Short term investment	–	198,113	–	200,460
Cash and bank balances	832,088	–	11,583,670	–
	11,620,009	198,113	20,055,598	200,460

	2017	2016
	(Rupees in thousand)	
Financial liabilities as per balance sheet - at amortised cost		
Long term finance	20,892,334	26,326,759
Short term finance - secured	2,116,673	11,076,980
Trade and other payables	7,137,504	13,651,437
Accrued finance cost	259,961	397,818
	30,406,472	51,452,994

35.4 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.

36 Cash generated from operations

	2017	2016
	(Rupees in thousand)	
Profit before tax	10,120,286	11,096,459
Adjustments for :		
Depreciation on property, plant and equipment	2,117,378	2,084,433
Amortization of intangible assets	9,672	17,626
Finance cost	2,707,253	3,236,395
Provision for staff retirement benefits	167,993	105,743
Exchange loss	83,600	–
Plant and machinery written off	–	916,382
Provision for slow moving stores and spares	19,024	–
Profit on loan to related parties	(350,231)	(269,085)
Profit on saving accounts	(21,727)	(21,507)
Bargain purchase gain	–	131,810
Gain on disposal of property plant and equipment	(3,791)	(1,695)
	4,729,171	6,200,102
Operating cash flows before working capital changes	14,849,457	17,296,561
Effect on cash flow due to working capital changes:		
Decrease / (Increase) in current assets:		
Stores and spares	83,734	(510,244)
Stock in trade	5,102,858	(2,233,078)
Trade debts	785,463	(2,190,432)
Loans, advances, deposits, prepayments and other receivables	(47,445)	(3,419,931)
Increase in creditors, accrued and other liabilities	1,698,174	2,261,075
	7,622,784	(6,092,610)
	22,472,241	11,203,951

37 Provident fund

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

	2017	2016
	(Rupees in thousand)	
Size of the fund	1,305,497	1,309,344
Cost of investment made	1,222,946	1,185,999
Fair value of investment made	1,248,710	1,260,880
Percentage of investments made	94%	91%

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2017

37.1 The breakup of fair value of investments is as follows:

	2017		2016	
	(Rupees in thousand)	%age	(Rupees in thousand)	%age
Mutual Funds	539,731	43	599,311	47
Scheduled Banks	704,859	57	640,569	51
Redeemable Capital	4,120	0	21,000	2
	1,248,710	100	1,260,880	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.

	2017	2016
38 Number of employees		
Average number of employees during the year	2,264	2,136
Number of employees at end of the year	2,392	2,168

39 Non adjusting events after the consolidated balance sheet date

The Board of Directors of the Holding Company in its Meeting held on March 27, 2018 proposed a final dividend of Rs 2.25 (2016: Rs 2) per share for the year ended December 31, 2017, amounting to Rs 4,725 million (2016: Rs 4,200 million) for approval of the members at the Annual General Meeting to be held on April 30, 2018.

40 Date of Authorization of Issue

These consolidated financial statements have been authorized for issue on March 27, 2018 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 Officer **Director** **Chief Financial Officer**

Statements under Section 134 (3) of the Companies Act, 2017

Item 5 of the Agenda:

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

Directors

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

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

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

Sr. No.	Description	Information Required
(a) Disclosure for all types of Investments		
(A) Disclosure regarding associated company		
(i)	Name of associated company or associated undertaking	Reliance Commodities (Pvt) Limited (RCL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(iii)	Earnings per share for the last three years	PKR 325.66 for year 2015 PKR 9.839 for year 2016 PKR 23.32 for year 2017
(iv)	Break-up value per share, based on latest audited financial statements	PKR 231.58
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the unaudited Financial Statements for the period ended September 30, 2017 PKR in Million Authorized Capital 100 Paid up capital and reserves 1,485 Surplus on revaluation of property, plant and equipment 398 Non-Current Liabilities 2 Current Liabilities 3,417 Current Assets 4,707 Non-Current Assets 595 Revenue 251 Gross Profit 33 Finance Cost 36 Profit After Tax 10
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable

Statements under Section 134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(B) General Disclosures		
(i)	Maximum amount of investment to be made	Loan Investment up to PKR 1,250 Million already made
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To continue investment of Company's funds at attractive rate of mark-up for further period of one year.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Already given/Own sources of the Company
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement: 1. The parties agree to extend the repayment period of the Running Finance Facility to be repaid within 30 days of the notice of demand for further period of one year. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year. 2. Markup will be charged on the Loan at the rate of 6M KIBOR+2.12% per annum but not less than the borrowing cost of Fatima. Markup is payable on quarterly basis. 3. On repayment of the Loan, the charge over the current assets of investee company is to be vacated.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: Directors 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Loan of an aggregate amount of up to PKR 1,250 million in the nature of renewable running finance facility has already been granted to RCL. It is being charged at the mark-up rate of 6M KIBOR + 2.12 but not less than the borrowing cost of Fatima and to be repaid within 30 days of the notice of demand. The Company is now seeking approval for renewal of this running finance facility for further period of one year. There is no impairment or write offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None

Statements under Section 134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(b) Additional Disclosures regarding Loan Investment		
(i)	Category-wise amount of investment	Loan Investment up to PKR 1,250 Million already made
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 6.93%
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2.12% per annum but not less than the borrowing cost of Fatima
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan was previously obtained in the form of a charge over present and future currents assets. This charge shall be vacated on the repayment of the entirety of the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.

Item 6 of the Agenda:

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

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

Relative
1) Mrs. Ambreen Fawad

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

The information required under 1240(I)/2017 is provided below:

Statements under Section 134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(a) Disclosure for all types of Investments		
(A) Disclosure regarding associated company		
(i)	Name of associated company or associated undertaking	Pakarab Fertilizers Limited (PFL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib
(iii)	Earnings per share for the last three years	PKR (0.10) for year 2014 PKR 5.47 for year 2015 PKR (4.28) for year 2016
(iv)	Break-up value per share, based on latest audited financial statements	PKR 48.91
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the unaudited Financial Statements for the period ended September 30, 2017 PKR in Billion Authorized Capital 10.0 Paid up capital and reserves 5.8 Surplus on revaluation of operating fixed assets 16.2 Non-Current Liabilities 19.7 Current Liabilities 23.1 Current Assets 20.4 Non-Current Assets 44.5 Revenue 13.6 Gross Profit 0.65 Finance Cost 1.6 Loss After Tax 1.4
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable

Statements under Section 134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(B) General Disclosures		
(i)	Maximum amount of investment to be made	Up to PKR 2,000 million
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of associated undertaking and to make investment of Company's funds at attractive rate of mark-up for period of one year.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Own sources of the Company
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement: 1. The parties agree for a short term loan of PKR 2,000 million in the nature of Running Finance Facility over one year period. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year. 2. Markup will be charged on the Loan at the rate of 6M KIBOR+2.12% per annum but not less than the borrowing cost of Fatima. Markup is payable on quarterly basis. 3. On repayment of the Loan, the charge over the current assets of investee company is to be vacated
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/ directorship in the investee company: Directors 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib Relative 1) Mrs. Ambreen Fawad
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Long term loan of an aggregate amount of up to PKR 3.00 billion is already given to PFL for a five year period. It is being charged at the mark-up rate of 6M KIBOR + 2.12% per annum but not less than the borrowing cost of Fatima. There is no impairment or write offs for this loan.

Statements under Section 134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(vii)	Any other important details necessary for the members to understand the transaction	None
(b) Additional Disclosures regarding Loan Investment		
(i)	Category-wise amount of investment	Up to PKR 2,000 million in one or more tranches
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 6.93%
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2.12% per annum but not less than the borrowing cost of Fatima
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan will be obtained in the form of a charge over current assets of the investee company. This charge shall be vacated on the repayment of the entirety of the loan
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.

Item 7 of the Agenda:

In view of Board's responsibilities and enhanced role under the Code of Corporate Governance and other statutory obligations, directors have to devote more time and expertise in the overall stewardship of the Company.

In view of the foregoing, the Board has approved a fee of PKR 50,000/- for attending meeting(s) of the Board and Audit Committee of the Board to each Director other than the regularly paid Chief Executive and full time working Director. Current meeting attendance fee is PKR 500/- in terms of Article 68 of the Articles of Association of the Company. Accordingly, the matter is being placed before the shareholders for approval.

There is no interest, directly or indirectly, of any of the directors of the Company in the above mentioned item except to the extent of their shareholding/directorship and amount of meeting fee to be increased.

Item 8 of the Agenda:

The transaction for purchase of Bombardier Aircraft from PFL require approval of the Board and since the majority of company directors were interested in the said transaction due to their common directorship and holding of shares in the associated company, the quorum of the directors could not be formed for approval of this transaction pursuant to section 207 of the Companies Act, 2017, thus, this transaction is being placed before the members for their approval.

The following directors of the Company are also the directors in PFL and the following relative of the director is also the shareholder of PFL, however, the directors/ relative have no direct or indirect interest except to the extent of their shareholding/directorship in PFL:

Directors

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

Relative

1) Mrs. Ambreen Fawad

Item 9 of the Agenda:

The transactions carried out with associated companies/related parties have been approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to provisions of applicable laws. However, the majority of Company Directors were interested

Statements under Section 134 (3) of the Companies Act, 2017

in related party transactions with Pakarab Fertilizers Limited, Fatimafert Limited and Fatima Packaging Limited due to their common directorship and holding of shares in the associated companies, the Board has recommended the same for placement before the shareholders of the Company in general meeting for ratification / approval.

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in Code of Corporate Governance for such transactions.

Pursuant to above and as advised by the Securities and Exchange Commission of Pakistan, these transactions have to be approved by the shareholders in the General Meeting.

The directors and their relatives have no direct or indirect interest in the aforesaid except to the extent of their shareholding/common directorship with related parties.

Item 10 of the Agenda:

Due to composition of Board of Directors of the Company, the Board would be unable to approve the transactions carried out by the Company with other companies/ related parties having majority of common directors as per applicable provisions of Companies Act, 2017. Therefor the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis.

Transactions intended to be carried out by the Company include, but are not limited to, sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/raw material and purchase of packaging material with the following related parties but are not limited to:

Company Name and Nature of Relationship

1. Pakarab Fertilizers Limited - Associated company
2. Fatimafert Limited - Wholly owned subsidiary
3. Fatima Packaging Limited - Wholly owned subsidiary of Pakarab Fertilizers Limited (an associated company)

The shareholders should note that it is not possible for the Company or the directors to accurately predict the nature of related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad/ prior approval of the shareholders that the Board may cause the Company to enter into related party transactions in its discretion and in accordance with policy of the Company. Such transactions shall be presented in the next meeting of shareholders for ratification.

The following directors of the Company are also the directors in PFL and the following relative of the director is also the shareholder of PFL, however, the directors/ relative have no direct or indirect interest except to the extent of their shareholding/directorship in PFL:

Directors

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

Relative

1) Mrs. Ambreen Fawad

Further, the following directors of the Company are also the directors in Fatimafert, however, the directors have no direct or indirect interest except to the extent of their shareholding/directorship in Fatimafert:

Directors

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

Item 11 of the Agenda:

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 deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	Certain steps prior to financial close have not been completed.
(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

The directors have not direct or indirect interest in the aforesaid except to the extent of their shareholding/directorship in MFC.

Pattern of Shareholding

as at December 31, 2017

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	591,316,380	28.16
Associated Companies, Undertakings and Related Parties	925,839,688	44.09
Sponsors	298,678,139	14.22
Executives	700,097	0.03
Public Sector Companies and Corporations	7,532,428	0.36
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	107,846,953	5.14
Mutual Funds	4,108,296	0.20
General Public		
a. Local	72,502,918	3.45
b. Foreign	2,307,000	0.11
Foreign Companies	21,109,064	1.01
Others	68,059,037	3.24
TOTAL	**2,100,000,000**	**100.00**

Disclosure Requirement under the Code of Corporate Governance

	Detail of holding as on December 31, 2017	Shares Held	Percentage
1	**Associated Companies, Undertakings and Related Parties**		
	ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
	FATIMA HOLDING LIMITED	480,290,785	22.87
	FAZAL CLOTH MILLS LIMITED	69,514,031	3.31
	RELIANCE WEAVING MILLS LTD	2,625,166	0.13
	ARIF HABIB EQUITY (PVT) LTD	54,409,500	2.59
2	**Directors, CEO and their Spouse and Minor Children**		
	MOHAMMAD ABAD KHAN	754,500	0.04
	AMBREEN FAWAD	15,473,526	0.74
	MUHAMMAD ARIF HABIB	149,490,294	7.12
	ASAD MUHAMMAD SHEIKH	24,364,808	1.16
	FAISAL AHMED MUKHTAR	131,453,979	6.26
	FARAH FAISAL	56,250	0.00
	FATIMA FAZAL	70,311	0.00
	FAWAD AHMED MUKHTAR	80,421,389	3.83
	FAZAL AHMED SHEIKH	100,537,205	4.79
	MUHAMMAD MUKHTAR SHEIKH	24,364,809	1.16
	MOHAMMAD KASHIF	58,387,008	2.78
	MOHID MOHAMMAD AHMED (MINOR) THROUGH FAISAL AHMED(GUARDIAN)	5,942,301	0.28
3	**Sponsors**	298,678,139	14.22
4	**Executives**	700,097	0.03
5	**Public Sector Companies and Corporations**	7,532,428	0.36
6	**Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds**	107,846,953	5.14

Detail of holding as on December 31, 2017	Shares Held	Percentage
7 Mutual Funds		
CDC - TRUSTEE MEEZAN BALANCED FUND	6,500	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	93,734	0.00
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	2,500	0.00
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,192,500	0.06
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,460,062	0.07
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	554,000	0.03
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	118,500	0.01
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	675,500	0.03
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	5,000	0.00
8 Shareholders holding 5 % or more voting interest		
ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
FATIMA HOLDING LIMITED	480,290,785	22.87
MUHAMMAD ARIF HABIB	149,490,294	7.12
FAISAL AHMED MUKHTAR	131,453,979	6.26

	Having Shares			
No. of Shareholders	From		To	Shares Held
2264	1	to	100	83,200
4043	101	to	500	1,639,244
1259	501	to	1000	1,128,497
1634	1001	to	5000	4,386,755
531	5001	to	10000	4,247,151
216	10001	to	15000	2,749,414
127	15001	to	20000	2,340,100
87	20001	to	25000	2,027,869
36	25001	to	30000	1,017,302
29	30001	to	35000	933,803
26	35001	to	40000	972,596
26	40001	to	45000	1,115,312
51	45001	to	50000	2,528,551
13	50001	to	55000	689,504
19	55001	to	60000	1,105,947
9	60001	to	65000	564,341
11	65001	to	70000	754,935
13	70001	to	75000	947,608
4	75001	to	80000	310,250
6	80001	to	85000	500,500
2	85001	to	90000	175,000
2	90001	to	95000	187,634
25	95001	to	100000	2,494,000
2	100001	to	105000	208,000
6	105001	to	110000	649,334
2	110001	to	115000	225,787
2	115001	to	120000	238,500
5	120001	to	125000	622,833
3	125001	to	130000	386,500
1	130001	to	135000	135,000
2	135001	to	140000	278,000
2	140001	to	145000	288,008
6	145001	to	150000	896,400
1	150001	to	155000	152,000

Pattern of Shareholding

as at December 31, 2017

No. of Shareholders	From	Having Shares	To	Shares Held
2	155001	to	160000	318,685
1	160001	to	165000	165,000
3	165001	to	170000	502,500
2	170001	to	175000	345,225
1	175001	to	180000	180,000
1	180001	to	185000	180,437
3	185001	to	190000	561,742
12	195001	to	200000	2,392,895
2	200001	to	205000	408,250
2	210001	to	215000	424,419
1	215001	to	220000	217,469
3	220001	to	225000	671,500
2	225001	to	230000	457,000
1	230001	to	235000	232,000
3	235001	to	240000	711,752
1	240001	to	245000	240,784
3	245001	to	250000	750,000
1	260001	to	265000	262,500
1	265001	to	270000	270,000
1	270001	to	275000	275,000
3	295001	to	300000	896,000
1	300001	to	305000	305,000
1	315001	to	320000	316,000
2	320001	to	325000	646,500
1	325001	to	330000	330,000
2	360001	to	365000	730,000
1	365001	to	370000	370,000
2	375001	to	380000	759,000
1	395001	to	400000	400,000
1	400001	to	405000	400,500
1	405001	to	410000	410,000
1	415001	to	420000	418,490
1	425001	to	430000	428,865
2	445001	to	450000	900,000
1	470001	to	475000	475,000
1	475001	to	480000	476,500
2	485001	to	490000	977,500
2	495001	to	500000	999,000
1	505001	to	510000	505,241
1	525001	to	530000	527,862
1	550001	to	555000	554,000
1	555001	to	560000	555,042
1	570001	to	575000	575,000
2	585001	to	590000	1,176,361
1	595001	to	600000	600,000
1	600001	to	605000	600,500
1	605001	to	610000	609,292
1	645001	to	650000	650,000
1	670001	to	675000	675,000
1	675001	to	680000	675,500

	Having Shares			
No. of Shareholders	From		To	Shares Held
1	680001	to	685000	680,500
1	700001	to	705000	704,000
1	745001	to	750000	749,500
1	750001	to	755000	753,687
1	755001	to	760000	758,797
1	770001	to	775000	775,000
2	780001	to	785000	1,567,950
1	795001	to	800000	800,000
1	900001	to	905000	900,542
1	945001	to	950000	950,000
1	950001	to	955000	952,500
1	995001	to	1000000	1,000,000
1	1000001	to	1005000	1,000,017
1	1005001	to	1010000	1,005,446
1	1055001	to	1060000	1,060,000
1	1095001	to	1100000	1,095,270
1	1150001	to	1155000	1,155,000
1	1190001	to	1195000	1,192,500
1	1245001	to	1250000	1,250,000
1	1295001	to	1300000	1,300,000
2	1345001	to	1350000	2,699,050
1	1350001	to	1355000	1,351,357
1	1460001	to	1465000	1,460,062
1	1495001	to	1500000	1,500,000
1	1540001	to	1545000	1,541,878
1	1590001	to	1595000	1,591,500
1	1705001	to	1710000	1,709,500
1	1720001	to	1725000	1,725,000
1	1850001	to	1855000	1,855,000
2	2015001	to	2020000	4,030,430
1	2120001	to	2125000	2,124,501
1	2205001	to	2210000	2,209,500
1	2255001	to	2260000	2,259,000
1	2400001	to	2405000	2,403,669
1	2405001	to	2410000	2,410,000
1	2625001	to	2630000	2,625,166
1	2920001	to	2925000	2,925,000
1	2980001	to	2985000	2,981,177
1	3120001	to	3125000	3,125,000
1	3890001	to	3895000	3,892,263
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	5155001	to	5160000	15,474,978
2	5355001	to	5360000	10,718,543
1	5370001	to	5375000	5,373,907
3	5375001	to	5380000	16,125,084
1	5655001	to	5660000	5,658,075
1	6290001	to	6295000	6,292,500

Pattern of Shareholding

as at December 31, 2017

No. of Shareholders	Having Shares From		To	Shares Held
1	7035001	to	7040000	7,039,929
1	7425001	to	7430000	7,429,576
2	7735001	to	7740000	15,474,978
1	8035001	to	8040000	8,038,869
1	8440001	to	8445000	8,441,356
1	8625001	to	8630000	8,626,100
1	8865001	to	8870000	8,866,946
2	10015001	to	10020000	20,039,578
1	10065001	to	10070000	10,066,585
1	10345001	to	10350000	10,348,435
1	11715001	to	11720000	11,720,000
1	11745001	to	11750000	11,749,863
1	11875001	to	11880000	11,877,500
1	12490001	to	12495000	12,492,349
1	15350001	to	15355000	15,351,172
2	16625001	to	16630000	33,254,639
1	17910001	to	17915000	17,913,706
1	22395001	to	22400000	22,400,000
1	29185001	to	29190000	29,186,696
1	32875001	to	32880000	32,876,630
1	39255001	to	39260000	39,258,014
1	39510001	to	39515000	39,512,487
1	40580001	to	40585000	40,580,043
1	41160001	to	41165000	41,163,375
1	46610001	to	46615000	46,610,769
1	53875001	to	53880000	53,878,336
1	54160001	to	54165000	54,162,859
1	54405001	to	54410000	54,409,500
1	58370001	to	58375000	58,373,259
1	58385001	to	58390000	58,387,008
1	62695001	to	62700000	62,700,000
1	64795001	to	64800000	64,800,000
1	91900001	to	91905000	91,900,380
1	149490001	to	149495000	149,490,293
1	223755001	to	223760000	223,759,115
1	254200001	to	254205000	254,200,206
1	254675001	to	254680000	254,676,670
10648				2,100,000,000

Financial Calendar

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

Annual General Meeting	April 30, 2018
1st Quarter ending March 31, 2018	Third week of April 2018
2nd Quarter ending June 30, 2018	Third week of August 2018
3rd Quarter ending September 30, 2018	Third week of October 2018

Notes

Form of Proxy

15th 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 15th Annual General Meeting of the Company to be held on Monday, April 30, 2018 and / or any adjournment thereof.

As witness my/our hand/seal this ______________________ day of April, 2018.

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

15واں سالانہ عمومی اجلاس

میں / ہم ---

ساکن --بطور ممبر(ز) فاطمہ فرٹیلائزر کمپنی لمیٹڈ

حامل ----------------------------عام حصص، محترم / محترمہ --

ساکن --یا ان کے حاضر نہ ہو سکنے کی صورت میں------------------------------

ساکن --کو اپنے/ہمارے ایما پر کمپنی کے مورخہ 30 اپریل 2018

بروز پیر کو ہونے والے یا کسی بھی التوا کی صورت میں 15واں 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 2018-----------------------------کی موجودگی میں دستخط ہوئے۔

پانچ روپے کے ریسدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہو گی۔

AFFIX
CORRECT
POSTAGE

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

Fatima
Fertilizer Company Limited

If undelivered, please return to:
The Company Secretary
Fatima Fertilizer Company Limited
E-110, Khayaban-e-Jinnah, Lahore Cantt., Pakistan.
UAN:111FATIMA (111-328-462) Fax: 042-36621389
www.fatima-group.com

MANDATORY REQUIREMENT OF BANK ACCOUNT DETAILS FOR ELECTRONIC CREDIT OF CASH DIVIDEND PAYMENT AS PER THE COMPANIES ACT, 2017

Date: April 09, 2018

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is **mandatory** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information **to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in Book Entry Form) OR to our Share Registrar M/s. 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 (in case your shareholding is in Physical Form)**:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No. (Copy attached)	
Cell number of shareholder	
Landline number of shareholder, if any	
Email	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "**Mandatory**"	**PK**____ **(24 digits)** (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly. ________________________ **Signature of shareholder**	

Fatima
Fertilizer Company Limited

موصول نہ ہونے کی صورت میں، براہِ کرم یہاں واپس بھیج دیں:

کمپنی سیکرٹری

فاطمہ فرٹیلائزر کمپنی لمیٹڈ

E-110، خیابانِ جناح لاہور کینٹ، پاکستان

یو اے این: 111FATIMA (111-328-462)، فیکس: 042-36621389

www.fatima-group.com

کمپنیز ایکٹ 2017 کے مطابق کمپنی منافع (ڈیویڈنڈ) کی نقد ادائیگی کے واسطے الیکٹرانک کریڈٹ کے بینک اکاؤنٹ تفصیلات کی لازمی شرائط

تاریخ 9 اپریل 2018ء

معزز شیئر ہولڈر،

آپ کو مطلع کیا جاتا ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق، **نقد کی صورت میں ادا کیے جانے والے کسی بھی کمپنی منافع کو (ڈیویڈنڈ) صرف الیکٹرانک ذریعہ سے حقدار شیئر ہولڈر کی طرف سے نامزد کردہ بینک اکاؤنٹ میں براہِ راست ادا کیا جائیگا**۔ براہِ مہربانی نوٹ فرمائیں کہ کمپنی منافع (ڈیویڈنڈ) ادائیگیوں کے لئے بینک مینڈیٹ کا دیا جانا **لازمی** ہے اور اس انضباطی شرط کے مطابق عمل در آمد کے لئے نیز کمپنی منافع (ڈیویڈنڈ) کی رقم کی اپنے بینک میں براہ راست منتقلی کی سہولت سے بہرہ مند ہونے کے لئے، آپ سے درخواست کی جاتی ہے کہ براہِ مہربانی **اپنے متعلقہ سی ڈی سی حصہ دار / سی ڈی سی سرمایہ کار اکاؤنٹ سروسز (آپ کے شیئر ہولڈنگ کے بک انٹری فارم میں ہونے کی صورت میں) یا ہمارے شیئر رجسٹرار میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، شیئر رجسٹرار ڈپارٹمنٹ، سی ڈی سی ہاؤس، B-99، بلاک B، ایس ایم سی ایچ ایس، مین شاہراہِ فیصل کراچی۔74400 (آپ کا شیئر ہولڈنگ فزیکل فارم میں ہونے کی صورت میں) کو درج ذیل معلومات فراہم کریں:**

شیئر ہولڈر کی تفصیلات	
شیئر ہولڈر کا نام	
فولیو / سی ڈی ایس اکاؤنٹ نمبر	
کمپیوٹرائزڈ شناختی کارڈ نمبر (لف شدہ کاپی)	
شیئر ہولڈر کا سیل فون نمبر	
شیئر ہولڈر کا لینڈ لائن نمبر، اگر کوئی ہو تو	
ای میل	
بینک اکاؤنٹ کی تفصیلات	
بینک اکاؤنٹ کا عنوان	
بین الاقوامی بینک اکاؤنٹ نمبر (آئی بین) **"لازمی"**	**(24 حروف)** ________________ **PK** (براہ مہربانی اپنے متعلقہ بینک برانچ سے مشورہ کر کے اپنا درست آئی بین نمبر فراہم کریں کیونکہ آئی بین نمبر میں کسی بھی غلطی یا بھول چوک کے باعث آپ کے نقد کمپنی منافع (ڈیویڈنڈ) ادائیگی میں نقصان یا دیر ہو جانے کی صورت میں کمپنی کسی بھی طرح ذمہ دار نہ ہو گی)
بینک کا نام	
برانچ کا نام اور پتہ	

فراہم کی گئی درج بالا تمام معلومات بالکل درست ہیں اور اان میں کسی بھی قسم کی تبدیلی واقع ہونے کی صورت میں، میں / ہم فوری طور پر حصہ دار / شیئر رجسٹرار کو مطلع کریں گے۔

____

دستخط شیئر ہولڈر

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
Fertilizer Company Limited

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

PABX : +92 42 111 328 462

Fax : +92 42 3662 1389

www.fatima-group.com