



# PEOPLE, PROCESS, POWER

For a Sarsabz Pakistan.

Annual Report  
2018

# PEOPLE, PROCESS, POWER

FOR A SARSABZ PAKISTAN

This year's theme is PEOPLE, PROCESS, POWER FOR A SARSABZ PAKISTAN, highlighting the strength of people and processes working together, as ingredients of sustainable, powerful and value added change in our communities. Fatima's vision since inception is to prioritize safety, quality, and stakeholder value so as to impact the economic growth of the Agri sector and the Country.



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# KEY HIGHLIGHTS 2018

1,405

MT in "000"

Fertilizer Production

45,964

PKR in Million

Revenue

13,272

PKR in Million

Profit After Tax

6.32

Rupees

Earnings Per Share

1.75

Rupees

Dividend Per Share

6,563

PKR in Million

Contribution to National Exchequer

23.48

Percentage

Return on Capital Employed



22,818

Numbers

Agriculture Farms Addressed

47

Million Hours

Combined Safe Man Hours (HSE)

1,025

Numbers

Permanent Employees

10,000

Numbers

Trees Planted

67

Numbers

Women Development  
(Female Staff in Head Office)

70,626

Man Hours

Investing in Manpower

770

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

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



# CORPORATE VALUES

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

	<b>Integrity</b> Our actions are driven by honesty, ethics, fairness and transparency.
	<b>Innovation</b> We encourage creativity and recognize new ideas.
	<b>Teamwork</b> We work collectively towards a common goal.
	<b>Health, Safety, Environment &amp; CSR</b> We care for our people and the communities around us.
	<b>Customer Focus</b> We believe in listening to our customers and delivering value in our products and services.
	<b>Excellence</b> We strive to excel in everything we do.
	<b>Valuing People</b> We value our people as our greatest resource.

# CODE OF CONDUCT

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

## Ethics and Business Practices

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

## Assets and Proprietary Information

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

Protection of the Company's information is important for our business. All employees are expected to know what information is proprietary and which must not be disclosed to unauthorized sources. Employees are responsible for applying all available tools to manage the Company's information resources and records.

## Relations With Business Partners

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

## Our Employees

We believe that highly engaged employees are the key ingredient in professional development and business success. Therefore, we invite our employees to contribute their best and to avail the opportunities for improvement and growth. We are an equal opportunity employer and promote gender diversity, self-development and innovation.

We provide employees with tools, techniques, and training to master their current jobs, broaden their skills, and advance their career goals.



# OVERALL STRATEGIC OBJECTIVES

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

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

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

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



# MANAGEMENT'S OBJECTIVES & STRATEGIES FOR MEETING THOSE OBJECTIVES

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

## Significant Changes in Objectives and Strategies

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

## Relationship between Entity's Results and Management's Objectives

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

# NATURE OF BUSINESS

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

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

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

# COMPANY PROFILE

Fatima Fertilizer Company Limited (Fatima) is a joint venture between two major business groups in Pakistan namely, Fatima Group and Arif Habib Group, with its head office located in Lahore. The fertilizer complex, producing mixed fertilizer products, is a fully integrated production facility, located at Sadiqabad, District Rahim Yar Khan. The foundation stone was laid on April 26, 2006 by the then Prime Minister of Pakistan. The Complex has a dedicated gas allocation of 110 MMCFD from Mari Gas Field and has 56 MW captive power plants in addition to off-sites and utilities. Commercial production commenced on July 01, 2011. The Complex, at its construction peak, engaged over 4,000 engineers and technicians from Pakistan, China, USA, Japan and Europe.

The Complex had an initial annual design capacity of:

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

The Ammonia plant was re-vamped to enhance its capacity by 10% along with an improvement in the energy index and reliability at a cost of USD 58 Million in 2015. In 2016, the CAN plant capacity was enhanced through an in-house modification, yielding an additional 22,000 MT production per annum. In 2017, Advanced Process Control project, the first of its kind in Pakistan, was implemented at the Ammonia plant, further enhancing capacity and improving the energy index by 1%. In 2018, Phosphoric Acid injection at the NP plant added approximately ~14,000 MT to production volumes.

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, 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

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

2017

- 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

2018

- Record 1.4 Million MT finished goods produced
- 47 Safe Million Man-Hours
- Additional 14,000 MT NP production by Phosphoric Acid route
- Zero Loss Time Injury
- Winner of first ever International Award – MarCom International USA

# COMPANY INFORMATION



## Director Finance & Chief Financial Officer

Mr. Asad Murad

## Company Secretary

Mr. Ausaf Ali Qureshi  
([communications@fatima-group.com](mailto:communications@fatima-group.com))

## Key Management

Mr. Arif-ur-Rehman  
Chief Manufacturing Officer

Mr. Rehman Hanif  
Plant Manager

Mr. Khurram Javed Maqbool  
Director Sales & Marketing

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. Faisal Jamal  
Corporate HSE & Technical Support Manager

Mr. Asghar Naveed  
Plant Manager Fatimafert Limited

## 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

## Audit Committee Members

Ms. Anja E. Nielsen  
Chairman

Mr. Muhammad Kashif Habib  
Member

Mr. Faisal Ahmed Mukhtar  
Member

Mr. M. Abad Khan  
Member

Mr. Tariq Jamali  
Member

## HR and Remuneration Committee Members

Ms. Anja E. Nielsen  
[Chairman](#)

Mr. M. Abad Khan  
[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](http://www.deloitte.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 Shakra-e-Faisal, Karachi-74400  
Tel: Customer Support Services  
(Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 3432 6053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

## Bankers

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

## 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. He is also a Director for the 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 extensive experience in manufacturing and industrial management. In addition to being a successful business leader, he is also a renowned philanthropist. After graduation, he has spent 30 years developing his family business into a sizable conglomerate.

Mr. Mukhtar leads several community service initiatives of the Group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School and Mukhtar A. Sheikh Welfare Trust, among others. He is also the Chairman of Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Air One (Private) Limited, Fatima Management Company Limited and is also the CEO of Pakarab Fertilizers Limited, 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 a member of the Board of Directors of the National Management Foundation, a sponsoring body of Lahore University of Management Sciences (LUMS).



**Mr. Fazal Ahmed Sheikh**

Executive Director

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



**Mr. Faisal Ahmed Mukhtar**

Non-Executive Director

Mr. Faisal Ahmed Mukhtar is a Director of the Company. He is the former Mayor and City District Nazim of Multan, and continues to lead welfare efforts in the city. He is the Chief Executive Officer of Fatima Sugar Mills Limited and Fatima Trade Company Limited. He is also the Chairman of the Workers Welfare Board at Pakarab Fertilizers Limited and is a member of the Board of Directors at Pakarab Fertilizers Limited, 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. Mr. Mukhtar has also served as the Chairman of Multan Development Authority and was also a member of a syndicate of Bahauddin Zakariya University, Multan.





**Mr. M. Abad Khan**

Non-Executive Director

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

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

Mr. Khan has been with Fatima Group for the last 13 years and has played a significant role in establishing Fatima Fertilizer plant and operational improvements in Pakarab Fertilizers Limited. He has extensive international exposure through seminars, symposiums and trainings including one at Harvard Business School. He is also Director of several other Group Companies namely Fatima Energy Limited, Pakarab Energy Limited, 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. 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 Financial, Manufacturing and Services industries.

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



**Ms. Anja E. Nielsen**

Non-Executive / Independent Director

Ms. Anja E. Nielsen holds a M.Sc. in Chemical Engineering from Technical University of Denmark. She is employed with Haldor Topsøe A/S since 1988, and is currently working as Vice President, 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:

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

## Terms of Reference and Salient Features

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

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

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

- a) determination of appropriate measures to safeguard the Company's assets;
- b) review of preliminary announcements of results prior to publication;
- c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgemental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards; and
  - compliance with listing regulations and other statutory and regulatory requirements.
- d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

- e) review of management letter issued by external auditors and management's response thereto;
- f) ensuring coordination between the internal and external auditors of the Company;
- g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h) consideration of major findings of internal investigations and management's response thereto
- i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- j) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- l) determination of compliance with relevant statutory requirements;
- m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- n) consideration of any other issue or matter as may be assigned by the Board of Directors.

## Human Resource and Remuneration Committee

### Composition

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

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

## Terms of Reference and Salient Features

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

### 1. Duties and Responsibilities

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

- 1.1 to review and recommend the annual compensation strategy with focus on the annual budget for head count and salaries and wages;
- 1.2 to review and recommend the annual bonus and incentive plan;
- 1.3 to review and recommend the compensation of the Chief Executive and Executive Directors;
- 1.4 to assist the Board in reviewing and monitoring the succession plans of key positions in the Company;
- 1.5 to review and monitor processes and initiatives related to work environment and culture;
- 1.6 to perform other duties and responsibilities as may be assigned time to time by the Board of Directors.

### 2. Reporting Responsibilities

- 2.1 the Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- 2.2 the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 2.3 the Committee shall, if requested by the Board, compile a report to shareholders on its activities to be included in the Company's Annual Report.

### 3. Authorities and Powers

The Committee is authorized and empowered:

- 3.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 3.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 3.3 to call any employee to be questioned at a meeting of the Committee as and when required.

# 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 36 years of experience in the fertilizer and petrochemical industries. His experience includes tenures with Fauji Fertilizer plant at Goth Macchi where he was part of a successful project team, Fauji Fertilizer Bin Qasim plant and ICI PTA Bin Qasim plant.



## Mr. Asad Murad

Director Finance / Chief Financial Officer

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In an over 21 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 additional 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 the additional responsibility for investor relations. He has over 36 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol- Myers Squibb (BMS). In his over 20 years career at BMS, he held various regional management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.



## Mr. Khurram Javed Maqbool

Director Sales & Marketing

With over 21 years of association with the Marketing and Sales function, Mr. Khurram Javed Maqbool is the Director Sales & Marketing. He has served long tenures with organizations like Nestle and Engro. In his previous roles, Khurram has run Marketing and Sales operations entailing brand management, innovation, portfolio strategy, institutional sales, exports, category and channel development, merchandising, sales forecasting and cycle planning.

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



### **Ms. Sadia Irfan**

Director Human Resources

Ms. Sadia Irfan, Director Human Resources brings with her extensive 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, Organization Development, Organization 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 shared 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 the Diversity & Engagement journey.



### **Mr. Iftikhar Mahmood Baig**

Director Business Development

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



### **Mr. Ahsen-ud-Din**

Director Technology Division

Mr. Ahsen-ud-din has 35 years of management experience with leading companies like Engro Corporation (formerly Exxon Chemical Pakistan) where his last appointment was Vice President, Fauji Fertilizer and Kuwait National Petroleum. During his career, Mr. Ahsen-uddin has a track record of executing several multi-million dollar petrochemical and fertilizer projects, he has also managed a number of world scale fertilizer and petrochemical manufacturing facilities while delivering best in class HSE performances.



### **Sardar Naufil Mahmud**

Chief Information Officer

Sardar Naufil Mahmud joined Fatima Group in January 2017. Mr. Mahmud has over 30 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. 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 20 years of experience in the fertilizer industry. He is a 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 including FFC & Engro Fertilizers. 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 the HSE roadmap and then in implementing best practices within the Group's companies. Currently, he is head of Fatimafert 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.

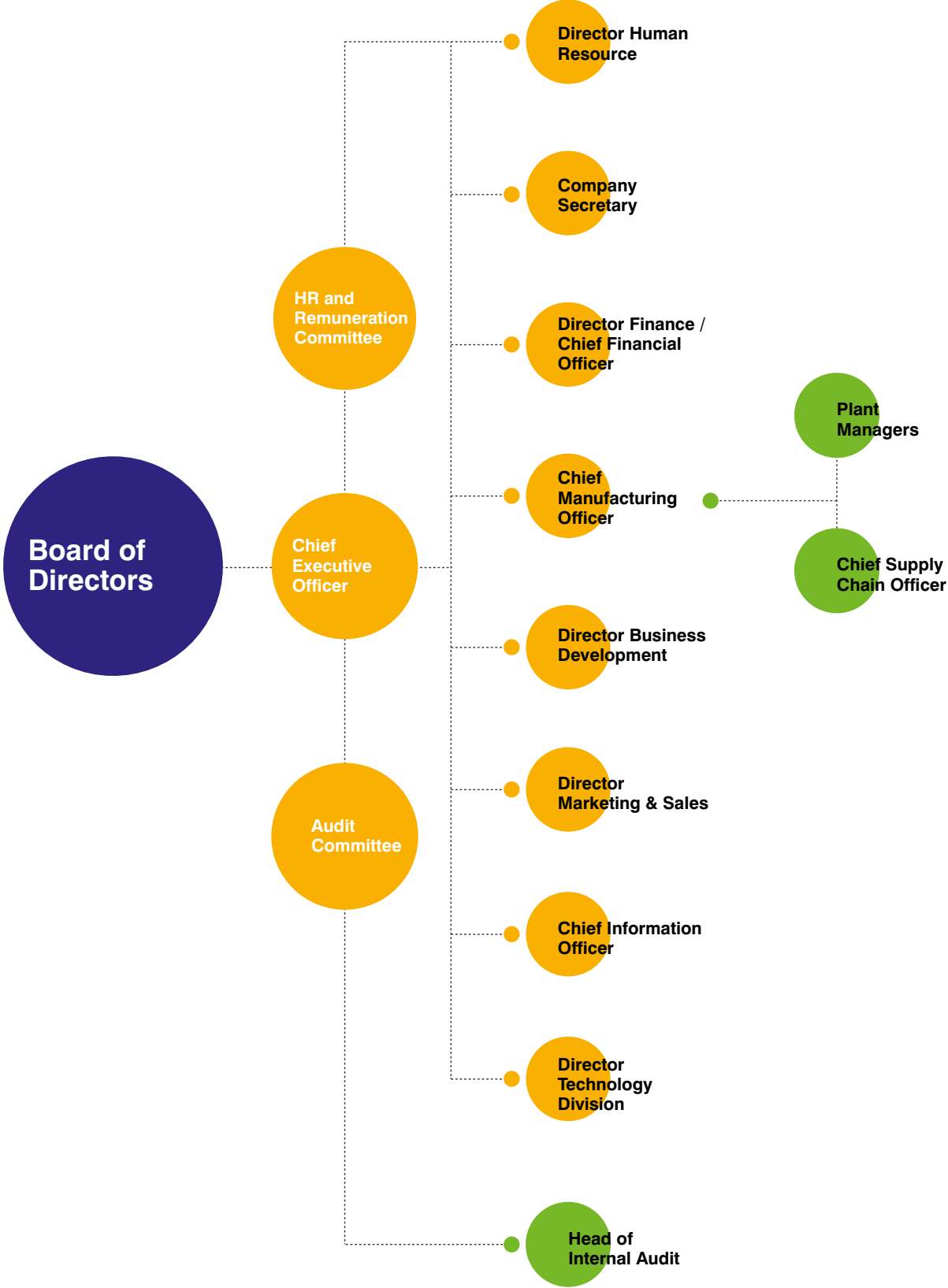


### **Mr. Faisal Jamal**

Corporate HSE & Technical Support Manager

Mr. Faisal Jamal leads the Corporate HSE and Technical Support teams. A chemical engineer by qualification, with 20 years of professional experience, he possesses strong leadership, technical safety, HSE culture enhancement and risk management foundation augmented by rich experience in process engineering and operations. His experience in fertilizer manufacturing, oil & gas exploration and production, and refining businesses has enabled him to utilize his expertise 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. He is also responsible for providing technical support to the site teams to enhance plant reliability and efficiency to achieve Operational Excellence. He has represented Fatima Group at various prestigious international and national events hosted by institutions and organizations like MIT, AIChE and ASSE.

# ORGANIZATIONAL CHART







# BUSINESS REVIEW

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# CHAIRMAN'S MESSAGE



**Mr. Arif Habib**

Chairman

**2018 has been another year of satisfaction for the Board and the Company's management. The Company improved upon all previous benchmarks be it in terms of production volumes, sales revenues or bottom-line results.**

We strengthened our growth trajectory and continued to see results from our marketing campaign positioning Sarsabz as the reliable yield enhancement partner for progressive farmers across the country. Revenue increased by 22% over last year while profitability increased by 25%, which confirms our confidence in the Company's future.

The Manufacturing operations are to be congratulated for their continued efficiency and productivity improvement efforts confirming that our traditional focus on high HSE and manufacturing standards translates into profitability.

Your Company is fully aware of the challenges ahead in the shape of inflationary pressures, increasing mark-up rates, discontinuation of subsidy and significant depreciation of the Pakistani Rupee. While meeting these challenges, our Company is well positioned for continued prosperity and growth and expect 2019 to bring improved benefits for all stakeholders.

## چیرمین کا پیغام

سال 2018ء ایک بار پھر بورڈ اور کمپنی انتظامیہ کیلئے ایک تسلی بخش سال رہا۔ کمپنی نے پیداواری حجم، ہیلز کی آمدن یا مجموعی نتائج جیسے ہر شعبہ میں گزشتہ معیارات کے مقابلہ میں بہتری یقینی بنائی۔ ہم نے اپنی ترقی کا دائرہ کار مضبوط کیا اور سرسبز کو ملک بھر میں ترقی پسند کسانوں کیلئے قابل اعتبار پیداواری اضافہ کے پارٹنر کے طور پر متعارف کرواتے ہوئے مارکیٹنگ ٹیم کی جانب سے نتائج کا حصول جاری رکھا۔ گزشتہ سال کی نسبت آمدن میں 22 فیصد جبکہ منافع میں 25 فیصد اضافہ ہوا۔ جس نے کمپنی کے مستقبل پر ہمارے اتماد کی مہر ثبت کی۔

پیداواری سرگرمیاں اپنی استعدادی اور پیداواری بہتری کی کاوشوں کی بدولت مبادا کساد کی سختی میں اور ان کے باعث اعلیٰ ایجنٹس ای اور پیداواری معیارات پر ہماری روایتی توجہ منافع میں تبدیل ہوئی۔

آپ کی کمپنی افراط زر کے دباؤ، مارک اپ ریش میں اضافہ، سسڈی کے خاتمہ اور پاکستانی روپے میں نمایاں کمی کی صورت میں سامنے آنے والے مستقبل کے چیلنجز سے مکمل طور پر واقف ہے۔ ان چیلنجز سے تہرہ آزما ہوتے ہوئے ہماری کمپنی مسلسل خوشحالی اور ترقی کیلئے پوری طرح تیار ہے اور سال 2019 میں اپنے تمام شراکت داروں کیلئے مزید فوائد لانے کیلئے پُر امید ہے۔

# CEO'S MESSAGE



**Mr. Fawad Ahmed Mukhtar**

Chief Executive Officer

**Our theme and emphasis in the year 2018 centered on People, Process, Power. Our results demonstrate that investment in developing our people, corporate processes translated to enhancing our standing and power within the Agri-industrial sector of Pakistan pays off.**

We achieved record production levels which translated into record sales with a growth of 22% over last year. Our Marketing campaigns, driven by the strength of our diverse portfolio (Urea, NP and CAN), delivered significant gains to the progressive farming community which in the long-term augurs well for all farmers in the country. We at Fatima are extremely proud of the benchmarks achieved for sales, marketing excellence and HSE resulting in growing profitability levels for our Company.

Our Sales, Marketing and Technical services teams have further consolidated their successful program in partnership with the farming community and the Government which is demonstrating substantial benefits of balanced usage of CAN and NP. In partnership with both the farmer and Government agencies we are introducing next generation technology in the agrarian space.

Our manufacturing operations continued to achieve excellence level of performance by producing a record 1.4 Million Tons of Fertilizer and achieving a new Safety record of 47 Million safe man-hours of operation.

I would like to congratulate and thank all employees for their continued hard work and dedication. I am confident that we will continue to work together in line with our Vision to focus on safety, quality, productivity and positive contribution to national economy.

## چیف ایگزیکٹو آفیسر کا پیغام

ہماری سٹیز، مارکیٹنگ اور ٹیکنیکل خدمات کی ٹیموں نے فارمنگ کمیونٹی اور حکومت کے ساتھ اشتراک کے کامیاب پروگرام کو مزید مستحکم کیا جبکہ یہ پروگرام CAN اور NP کے متوازن استعمال کے کثیر فائدہ واضح کر رہا ہے۔ کسان اور حکومتی اداروں دونوں کے اشتراک سے ہم زرعی خلا کو پُر کرنے کیلئے ٹیکسٹ جزیشن ٹیکنالوجی متعارف کروا رہے ہیں۔

ہماری پیداواری سرگرمیوں نے 1.4 ملین ٹن فریٹلائزر کی پیداوار اور آپریشن کے 47 ملین محفوظ افرادی گھنٹوں میں کامیابی کے ذریعے شاندار سنگ میل عبور کیے۔

میں تمام ملازمین کو انکی مسلسل محنت اور لگن پر مبارکباد پیش کرتا ہوں اور انکا شکر گزار ہوں۔ میں بڑا امید ہوں کہ ہم حفاظت، معیار، پیداوار اور تکنیکی معیشت میں مثبت حصہ داری پر توجہ دیتے ہوئے اپنے وژن کے مطابق مل کر کام کرنا جاری رکھیں گے۔

سال 2018ء کے دوران ہمارا اہم موضوع اور زور افراد طریقہ کار اور قوت پر مرکوز رہا۔ ہمارے نتائج اس بات کے عکاس ہیں کہ افرادی ترقی اور کارپوریٹ طریقہ کار میں سرمایہ کاری کی بدولت پاکستان کے زرعی صنعتی سیکٹر میں ہماری درجہ بندی اور طاقت میں اضافہ ممکن ہوا۔ ہم نے ریکارڈ پیداواری سطح تک کامیابی حاصل کی جس کی وجہ سے گزشتہ سال کی نسبتاً 22 فیصد اضافہ کے ساتھ ریکارڈ فروخت ہوئی۔ ہمارے کثیرالاستی پورٹ فولیو (یورپا، NP اور CAN) کے زور پر چلائی گئیں ہماری مارکیٹنگ مہمات ترقی پسند فارمنگ کمیونٹی کیلئے انتہائی نمایاں ثمرات کا سبب بنیں جو کہ ملک میں تمام کسانوں کیلئے دیرپا بہتری کی عیون گواہت ہوں گی۔ ہم فاسفر فریٹلائزر میں فروخت، مارکیٹنگ برتری اور ایچ ایس ای میں کئی سنگ میل عبور کرنے پر انتہائی فخر محسوس کرتے ہیں اور بلاشبہ یہ عوامل ہماری کمپنی کے منافع میں اضافہ کا باعث بنے۔

# DIRECTORS' REPORT

## to the Shareholders for the year ended December 31, 2018

It is with great pleasure that we present the operating results of your Company for the year 2018. Operational and financial performance of the Company remained excellent throughout the year. Our unwavering pursuit for excellence in every facet of the business including production, marketing strategies, financial discipline, information technology and product quality, for the purpose of delivering outstanding value to our customers bore fruit in the year 2018 as we redefined all our benchmarks after comfortably beating our previous best performance. The foundations for sustained growth have been laid with extensive investments in process improvements in production and operations resulting in sustained optimal results of all the plants.

### Market Overview

Market dynamics for the agriculture sector remained positive during the year with firm product prices, and steady fertilizer application. However, massive challenges in the shape of high inflation, increasing markup rates, discontinuation of subsidy and significant depreciation of Pak Rupee took their toll.

Total offtake and production of Urea remained at par with last year, at 5.8 million MT and 5.7 million MT respectively. Continuous shutdown of fertilizer plants operating on SNGPL network due to non-availability of natural gas at viable rates, resulted in a widening of the demand and supply gap for Urea in the country. Being cognizant of this immediate supply gap, the Government imported 105K MT Urea. The long-term solution came in the shape of the supply of blended gas/ RLNG at a considerably higher price than indigenous gas to the closed Urea plants only.

Total offtake of CAN and NP dropped 17% and 37% respectively to 608K MT and 391K MT from 731K MT and 622K MT in 2017. The decline is attributable to short supply resulting from closure of the production plant operating on the SNGPL network.

In the Phosphate market, DAP offtake dropped by 6% from 2.38 million MT in 2017 to 2.23 million MT in 2018 due to the consistent price hike in the international market and impacts of the Pak Rupee devaluation.

### Company Performance

Our financial disciplines and firm asset base are the foundation of our strong financial performance. Your Company continued to show improved results on the back of strong market demand and firm product prices.

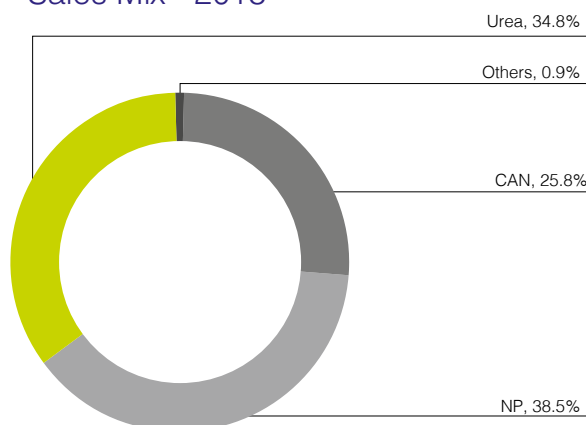
Production remained strong and stable throughout the year as throughput of all plants exceeded their nameplate capacities. Sales also remained almost equivalent to last year.

Sales Volume		
Product	2018 Tons	2017 Tons
Urea	555,117	525,606
CAN	499,608	538,522
NP	377,726	413,046
<b>Total</b>	<b>1,432,450</b>	<b>1,477,174</b>

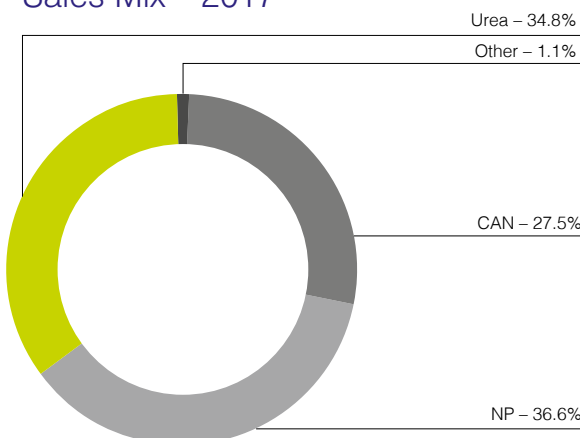
### Financial Performance

Highest ever sales revenues were achieved by the Company as a consequence of firmness and strengthening of product prices during the year. Revenue enhanced by 22% over the last year. NP was the dominant contributor to the revenue

Sales Mix - 2018



Sales Mix - 2017



with 38.5% share while Urea and CAN contributed 34.8% and 25.8% respectively.

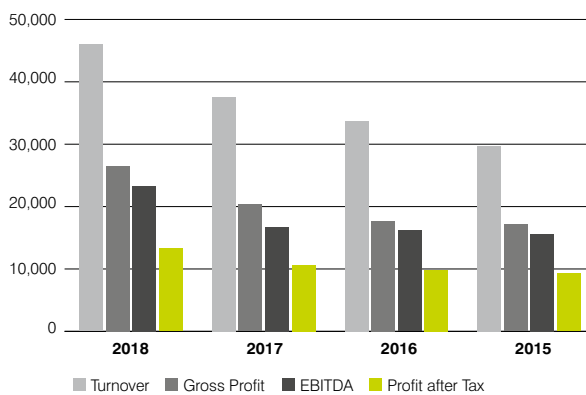
In line with increase in revenues, gross margins improved to PKR 26.48 billion. Efficient and pro-active financial management contributed positively and the Company posted net profit of PKR 13.27 billion compared to PKR 10.58 billion

## Financial Highlights

	2018		2017		2016		2015	
	PKR Million	% age	PKR Million	% age	PKR Million	% age	PKR Million	% age
Turnover	45,964		37,612		33,765		30,226	
Gross Profit	26,481	57.61	20,337	54.07	17,985	53.27	17,017	56.30
EBITDA	23,266	50.61	16,771	44.59	16,177	47.91	15,590	51.57
Profit after Tax	13,272	28.88	10,576	28.12	9,782	28.97	9,254	30.62
EPS (PKR)	6.32		5.04		4.66		4.41	

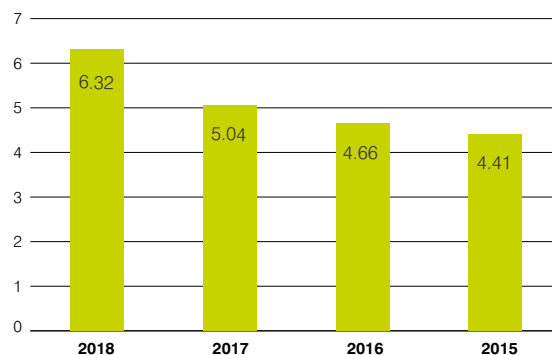
## Financial Performance

Rupees in Million



## Earnings Per Share

Rupees



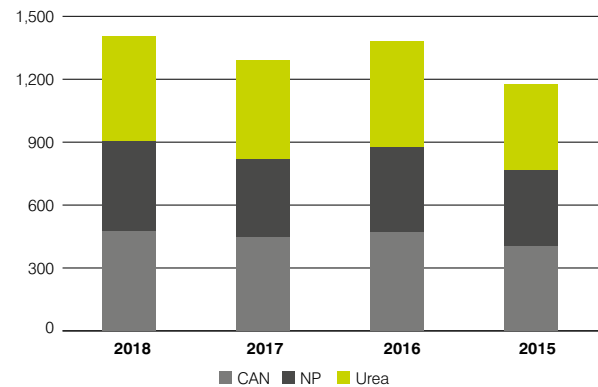
achieved last year. Earnings per Share comes to PKR 6.32 per share against last year's PKR 5.04 per share.

## Operations

For the first time, overall fertilizer production volume has surpassed the 1.4 million MT mark. This was possible due to excellent plant performance throughout the year. Investment on efficiency and reliability improvement, occupational health and safety and risk mitigation, paid dividends in the form of the highest ever production volumes. Production volume of

## Production

Metric Tons in '000'



## Capacity Utilization

Plant	2018	2017	2016	2015
Urea, CAN and NP	110%	101%	108%	92%

NP increased by 15% spurred on by innovation in production processes, while CAN and Urea increased by 7% and 6% respectively over the last year.

## Gross Profit

Product prices remained firm throughout the year, resultant sales revenue increased by 22% over the last year. Input costs were managed efficiently, by effective resource utilization and process improvements despite the heavy devaluation of the Pak Rupee during the year. As a result, the gross profit for the year improved to PKR 26.48 billion as against PKR 20.34 billion earned last year.

## Distribution and Administrative Cost

Distribution costs remained almost at par with the last year registering a small increase of 4%.

The Company takes its obligation towards society very seriously and contributes heavily towards the uplift of health and education sectors. Due to an increase in contribution towards CSR and for other inflationary reasons, administrative expenses were increased by 37% over last year.

## Borrowing Cost

During the year, the State Bank of Pakistan kept on increasing the base rate and by the end of the year the rate had climbed by more than 70% over last year. Despite such an enormous increase of the base rate, strong and efficient financial management led to reduction of borrowing costs of the Company by 34% over the last year.

## Dividends

The Board of Directors in its meeting held on March 29, 2019 has proposed a final Cash Dividend @ PKR 1.75 per share i.e. 17.50% for approval of the members at the Annual General Meeting to be held on April 30, 2019.

The financial statements do not reflect this proposed dividend.

Appropriations	PKR in '000
Unappropriated profit brought forward	31,002,102
Dividend 2017	(4,725,000)
Net profit for the year 2018	13,272,392
Profit available for appropriations	39,549,494
Appropriations	—
<b>Unappropriated profit carried forward</b>	<b>39,549,494</b>

## Financial Management

During the year, the Government reduced the Output Sales Tax rate on fertilizers to 2% while ignoring to give a corresponding affect to the Input Sales Tax rates, which range from 5% to 17%. This anomaly has resulted in the building up of huge amounts of sales tax refundable, which has resulted in a sizeable load on the cash flows of the Company. A substantial amount of subsidy remains unpaid by the Government, which has added to the strain. These elements contributed significantly towards the increase in working capital utilization to PKR 4,822 million from PKR 1,726 million at end of last year.

All the financial commitments falling due during the year were timely met. Apart from its routine obligations during the year, the Company invested heavily in capital projects in pursuit of sustainable growth. These projects were financed mostly from its operations, with total outlay of PKR 8.56 billion, which includes payment of PKR 2.25 billion as advance to an associated company, Pakarab Fertilizers Limited for the purchase of its production and operating plants in order to enhance its footprint in the fertilizer market.

As a testament to its strong financial position the Company, at year end, had more than PKR 10.68 billion available in unutilized working capital lines from financial institutions.

## Consolidated Financial Results

Due to non-viable gas rates, Fatimafert Limited (FFT) remained non-operational during the first three quarters of the year. In order to meet fertilizer demand in the country and to provide much needed fertilizers to the farmers at affordable prices, the Government acted positively and resumed gas supply to closed Urea plants in the last quarter. However, said supply of blended gas/RLNG was resumed at considerably higher price than indigenous gas.



# ڈائریکٹرز رپورٹ

## کمپنی کی کارکردگی

ہمارے مالی اصول اور مضبوط اثاثے منظم مالی کارکردگی کی بنیاد ہیں۔ آپ کی کمپنی نے مضبوط مارکیٹ طلب اور پختہ مصنوعاتی قیمتوں کی بدولت بہتر نتائج دکھائے۔ سال بھر پیداوار منظم اور پائیدار رہی جبکہ تمام پلانٹس نے اپنی حد سے زیادہ پیداوار دی۔ سیکلز تقریباً گزشتہ سال کے مساوی رہیں۔

## مالی کارکردگی:

سال کے دوران مصنوعات کی قیمتوں میں پائیداری اور استحکام کی وجہ سے کمپنی سب سے زیادہ سیکلز آمدن حاصل کرنے میں کامیاب ہوئی۔ آمدن میں گزشتہ سال کی نسبت 22 فیصد اضافہ ہوا۔ INP اس سلسلہ میں 38.5 فیصد شیئرز کے ساتھ سب سے نمایاں حصہ دار رہا جبکہ یوریا اور CAN بالترتیب 34.8 فیصد اور 25.8 فیصد کے حصہ دار رہے۔

آمدن میں اضافے کی وجہ سے مجموعی مارجنز میں 26.48 ارب روپے کی بہتری آئی۔ موہن اور مستعد مالی انتظامات نے مثبت حصہ داروں اور کمپنی نے 13.27 ارب روپے کا مجموعی منافع حاصل کیا جو کہ گزشتہ سال کے دوران 10.58 ارب روپے تھا۔ نی شیئرز آمدن 6.32 روپے رہی جو کہ گزشتہ سال 5.04 روپے نی شیئرز تھی۔

## مجموعی مالی نتائج

ناموافق گیس ریش کی وجہ سے فاطمہ فرٹ (FFT) سال کی پہلی تین سہ ماہی میں غیر فعال رہی۔ ملک میں کھاد کی ضروریات پوری کرنے اور کسانوں کو اشد ضروری کھادیں مناسب قیمت میں فراہم کرنے کیلئے حکومت نے دانشمندی کا مظاہرہ کیا اور آخری سہ ماہی کے دوران بند یوریا پلانٹس کو گیس کی سپلائی بحال کر دی۔ تاہم گیس/آرائل این جی کی مرکب یہ مذکورہ سپلائی کافی حد تک مقامی گیس کے مقابلہ میں مہنگی قیمت پر بحال کی گئی۔ اکتوبر سے دسمبر کے دوران FFT نے 106,000 میٹرک ٹن یوریا پیداوار فروخت کی۔ اس کے علاوہ FFT نے سال کے دوران 26 ہزار میٹرک ٹن درآدھ شدہ DAP فروخت کی۔ متوقع طور پر، گیس کی مناسب ریش پر مسلسل سپلائی کے ذریعے FFT کی سرگرمیاں کمپنی کے مجموعی نتائج میں مزید استحکام کا سبب بنیں گی۔

سال 2018 کے مجموعی مالی نتائج کی تفصیل درج ذیل ہے۔

ملین کے حساب سے پاکستانی روپوں میں	
51,310	فروخت
25,671	مجموعی منافع
16,790	ٹیکس سے قبل منافع
11,913	ٹیکس کے بعد منافع

15 اکتوبر 2018 کو منعقد ہونے والے اجلاس میں بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ فاطمہ فرٹ لمیٹڈ کو 01 جنوری 2019 سے تمام ضروری کارپوریٹ اور ریگولیٹری منظور یوں کے بعد ضم کر دیا جائے گا۔

## مستقبل کا احوال

مقامی اور بین الاقوامی منڈیوں میں کھاد کی قیمتیں پائیدار سے منظم رہنے کی توقع ہے۔ کسان دوست حکومتی پالیسیوں کو جاری رکھتے ہوئے سال 2019 کے دوران کھاد کے آثار چڑھانے کے حالات میں بہتری متوقع ہے۔ اپنے ویلیو ایڈڈ پروڈکٹ پورٹ فولیو اور اپنے پیداواری پلانٹس کی منظم سرگرمیوں کے ساتھ آپ کی کمپنی تجدیدی قوت کے ساتھ معیشت کی بحالی میں اپنا کردار جاری رکھے گی۔

آپ کی کمپنی کاروبار کے ہر پہلو میں حتی الامکان قابلیت کے ذریعے عالمی معیار کے سینوٹیج رینے کے ویزن کو جاری رکھتے ہوئے مزید مواقعوں اور منصوبوں کی تلاش کیلئے ہمہ وقت تیار ہے۔ انتہائی سازگار حالت میں ہونے کے ساتھ کمپنی اپنے شراکت داروں کے منافع کیلئے آمدن برقرار رکھنے اور اس میں اضافہ کیلئے مزید آپشنز پر غور لارہی ہے۔

During the period from October to December, FFT has produced and sold more than 106 thousand MT Urea. In addition to this, FFT sold 26 thousand MT imported DAP during the year. Hopefully, going forward with sustained supply of gas at viable rates, the operations of FFT will further strengthen the bottom-line results of the Company.

The summary of consolidated financial results for the year 2018 are as follows:

	PKR in Million
Sale	51,310
Gross Profit	25,671
Profit Before Tax	16,790
Profit After Tax	11,913

The Board of Directors in their meeting held on October 15, 2018, have decided to amalgamate Fatimafert Limited with effect from January 01, 2019 subject to receipt of all requisite corporate and regulatory authorizations, consents and approvals.

## Financial Highlights

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

## Contribution to National Exchequer and Economy

An amount of PKR 6.56 Billion (2017: PKR 5.99 Billion) was contributed during the year with respect to Custom duties, Sales tax and Income tax. As a responsible citizen of the country, your Company contributed 14.28% (2017: 15.92%) 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 586.03 million. The figure is unaudited for the year under review.

## Future Outlook

Fertilizer prices both in local and international markets are expected to remain stable to firm. With the continuity of farmer friendly Government policies, the fertilizer off take situation is expected to continue to improve in 2019. With its value-added product portfolio and sustained operation of its production plants, your Company will continue to play its role in revival of the economy with renewed strength.

Your Company is poised to explore further opportunities and projects to pursue its vision of becoming a world class manufacturer with utmost efficiencies in every aspect of business. With a highly favorable gearing position, the Company is deliberating upon further options to maintain and enhance its earnings for the benefit of its stakeholders.

## Code of Corporate Governance

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

- a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- b) Proper books of account of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations; and
- g) There are no significant doubts upon the Company's ability to continue as a going concern.

## Changes in the Board

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

## Changes in the Audit Committee

Pursuant to CCG 2017, Ms. Anja E. Nielsen, the Independent Director, has been appointed as Chairman of the Committee in place of Mr. Muhammad Kashif Habib.

## Changes in the Human Resource and Remuneration Committee

Pursuant to CCG 2017, Ms. Anja E. Nielsen, the Independent Director, has been appointed as Chairman of the Committee in place of Mr. M. Abad Khan.

## Board Meetings held outside Pakistan

All the meetings of the Board of Directors of the Company were held in Pakistan during the year 2018.

## Board and Committees' Meetings and Attendance

During the year under review, six meetings of the Board of Directors and four meetings of the Audit Committee were held from January 01, 2018 to December 31, 2018. The attendance of the Board and Audit Committee members was as follows:

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

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

## Trading in Shares of the Company by Directors and Executives

Name	Shares Bought	Shares Sold
Mr. Fawad Ahmed Mukhtar	479,000	-
Mr. Fazal Ahmed Sheikh	479,000	-
Mr. Faisal Ahmed Mukhtar	479,000	-
Fatima Holding Limited	1,000,000	-

## Pattern of Shareholding

The pattern of shareholding and categories of shareholders as of December 31, 2018, as required under the Pakistan Stock Exchange Regulations, have been annexed herewith along with the Proxy Form.

## Code of Conduct

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

## Credit Ratings

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

## Internal Audit

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

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

Internal Audit also emphasizes the importance of Business Continuity and completeness of Risk Control means to have seamless operations at the entity level that is currently being implemented. Further, Internal Audit also ensures the implementation of the Enterprise Risk Management (ERM) Framework as per COSO standards, through a dedicated ERM section.

## External Auditors

M/s. Deloitte Yousuf Adil, Chartered Accountants, the retiring auditors of the Company, being eligible, offered themselves for re-appointment. The Board Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 16<sup>th</sup> Annual General Meeting, as auditors of the Company for the year ending December 31, 2019 at a fee to be mutually agreed.

## Health, Safety and Environment

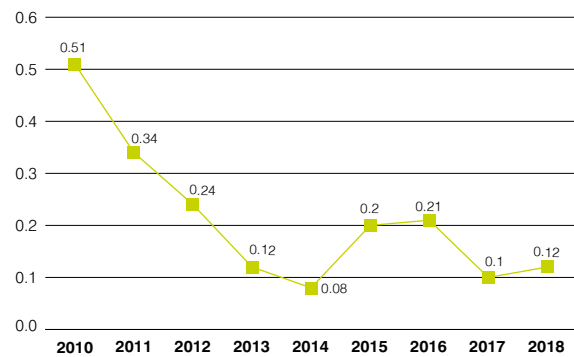
Our HSE performance remained exceptional during 2018 and we completed 47.09 Million man-hours without a Lost Time Injury (LTI) with a Total Recordable Injury Rate (TRIR) of 0.12. We continued to be a safety leader in the local fertilizers industry and have received numerous international safety awards such as Gold RoSPA Award

(UK) and the British Safety Council award. Close and continuous monitoring of Risk and Culture based HSE leading indicators and implementing timely corrective actions have been the key factors in enhancing our HSE performance as per applicable international standards.

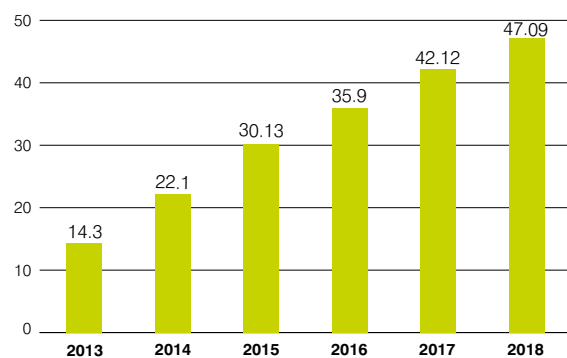
We are also implementing DuPont's Environment Management System (EMS) to reduce our environmental footprint and achieve industrial recognition in environmental excellence. No major environment related complaints were received and all parameters remained within stipulated limits.

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 some examples.

### Total Recordable Incident Rate (TRIR)



### Million Safe Man Hours



## Information Technology

The Information Technology Division (ITD) has continued to excel in matters of IT security. We have been recertified by SGS for ISO27001. Our extensive range of computing and communication services, facilities and infrastructure for use by our employees are second to none in the fertilizer business in Pakistan. 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 2025 involves introduction of predictive analysis for decision making and as a strategy will focus on mobile applications, reducing our paper footprint and increasing reach to farmers by deploying the latest technology applications and helping grow their business using Technology in Agriculture.

## Sustainability Initiatives and CSR

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

In 2018, Fatima carefully aligned its sustainability initiatives to create an impact on larger levels. Adding to the cause of green revolution, through our "Let the Green Be Seen" Campaign, Fatima planted more than ten thousand trees at its manufacturing sites. Our sustained focus on sponsoring Education, and Health initiatives is built further on our Company run Schools, Vocational Trainings Institutes, Dispensaries and Clinics which continue to bring benefits to the deserving masses across the country.

## Human Resource Management and Employees Relations

Human Resource Management and Employees Relations serve as the backbone of Fatima's retention strategy. Our definition of engagement is the positive commitment and assignment of every individual to the greater organizational goals. The biggest win for us this year was bringing

the multigenerational workforce together for devising the Group's Strategy 2025. By bringing and injecting a multigenerational view in the Group's strategy, we are devising ingenious ways of uplifting business and talent.

Culture is defined by the softer side of interaction with the human capital. It is where we promote happiness and productivity in the workplace. Our Corporate Communication team devises interesting events, interventions and celebrations to keep employees engaged. Our recreational calendar includes activities such as Mothers' Day Celebrations, Women's Day, Men's Day, Independence Day, Sports Gala, Photography Competition, Spring Floral Competition, Environmental Awareness and more.

These events are effective platforms for employee engagement leading to collaborative team work, appreciation and engagement of diversity and last but not the least, learning from one another. We are proud that Fatima employees are happy, productive and engaged. Peers help each other willingly and facilitate work beyond their job descriptions.

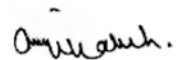
## Acknowledgements

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

For and on behalf of the Board



**Fawad Ahmed Mukhtar**  
Chief Executive Officer  
Lahore  
March 29, 2019



**Arif Habib**  
Chairman

# Annexures to the Directors' Report

## KEY PERFORMANCE INDICATORS

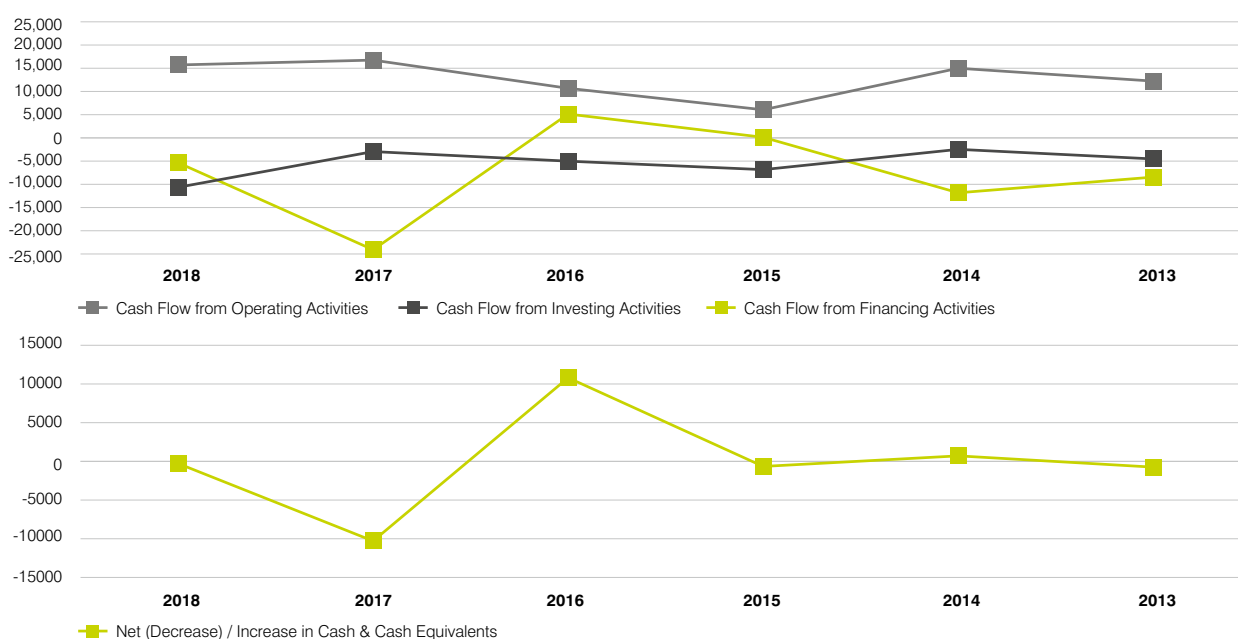
	Unit	2018	2017	2016	2015	2014	2013
<b>PROFITABILITY</b>							
Gross profit	%	57.61	54.07	53.27	56.30	59.33	58.85
EBITDA	%	50.62	44.59	47.91	51.58	53.93	53.80
Operating profit	%	43.43	39.71	42.55	46.08	49.53	49.23
Profit before tax	%	40.27	33.86	34.43	38.21	39.12	36.78
Net profit	%	28.88	28.12	28.97	30.61	25.60	23.95
Return on equity	%	21.32	19.68	20.65	23.00	25.19	24.49
Return on capital employed	%	23.48	18.59	18.09	20.23	26.14	25.45
Return on total assets	%	18.15	15.03	12.99	14.69	21.55	20.59
<b>LIQUIDITY / ACTIVITY</b>							
Current ratio	Times	1.09	1.10	1.03	0.66	0.97	0.81
Quick / Acid test ratio	Times	0.89	0.90	0.83	0.39	0.79	0.63
Debt to assets	Times	0.43	0.46	0.57	0.58	0.56	0.59
Cash from operations to sales	Times	0.34	0.45	0.32	0.20	0.41	0.37
Inventory turnover	Times	4.41	3.44	2.38	2.73	5.46	5.29
Stock holding period	Days	82.82	106.24	153.61	133.80	66.80	68.98
Fixed assets turnover	Times	0.57	0.48	0.43	0.41	0.53	0.49
Total assets turnover	Times	0.44	0.36	0.33	0.34	0.44	0.43
<b>CAPITAL STRUCTURE</b>							
Debt : Equity		17:83	23:77	32:68	33:67	39:61	47:53
Interest cover	Times	13.76	6.79	5.24	5.85	4.76	3.96
Financial leverage	Times	0.29	0.34	0.63	0.75	0.66	0.94
Debt service coverage	Times	3.28	2.17	1.69	1.78	2.01	2.18
Total liabilities to net worth	Times	0.77	0.85	1.33	1.36	1.26	1.44
Weighted average cost of debt	%	8.01	6.80	7.38	9.53	11.38	11.98
<b>INVESTMENT / MARKET</b>							
Market price per share	Rs.	36.47	30.88	36.89	44.73	35.77	28.56
Book value per share	Rs.	29.65	25.59	22.56	19.16	17.50	15.60
Market to book value per share	Times	1.23	1.21	1.64	2.33	2.04	1.83
Earnings per share	Rs.	6.32	5.04	4.66	4.41	4.41	3.82
Price earning	Times	5.77	6.13	7.92	10.15	8.11	7.48
Dividend per share	Rs.	1.75	2.25	3.25	–	2.75	2.50
Dividend cover	%	361.15	223.83	143.33	–	160.31	152.80
Dividend yield	%	4.80	7.29	8.81	–	7.69	8.75
Dividend payout	%	27.69	44.68	69.77	–	62.38	65.44

# CASH FLOWS SUMMARY

PKR in Million	2018	2017	2016	2015	2014	2013
<b>Cash Flows From Operating Activities</b>						
Cash generated from operations	21,020	20,895	14,639	9,748	19,405	18,725
Net (decrease) / Increase in long term deposits	(2)	1	18	–	33	–
Finance costs paid	(1,394)	(2,290)	(2,754)	(2,498)	(3,891)	(5,865)
Taxes paid	(3,889)	(1,795)	(1,183)	(1,177)	(528)	(614)
Employee retirement benefits paid	(27)	(57)	(37)	(19)	(18)	(14)
<b>Net cash from operating activities</b>	<b>15,708</b>	<b>16,754</b>	<b>10,682</b>	<b>6,054</b>	<b>15,000</b>	<b>12,231</b>
<b>Cash Flows From Investing Activities</b>						
Fixed capital expenditure	(8,618)	(1,906)	(2,237)	(5,520)	(2,814)	(1,584)
Proceeds from disposal of property, plant and equipment	1	2	1	–	–	–
Long term loan to associated company – net	–	–	(799)	800	–	(3,000)
Long term investments	(2)	–	(132)	(2,021)	(1)	–
Short term loans	(2,106)	(1,518)	(1,949)	(500)	–	–
Short term investments	(471)	–	(200)	–	–	39
Profit received on loans and saving accounts	692	458	415	409	352	11
Net (increase) / decrease in long term loans and deposits	(140)	16	(111)	(5)	(3)	1
<b>Net cash used in investing activities</b>	<b>(10,644)</b>	<b>(2,948)</b>	<b>(5,012)</b>	<b>(6,837)</b>	<b>(2,466)</b>	<b>(4,532)</b>
<b>Cash Flows From Financing Activities</b>						
Repayment of long term finances	(5,908)	(5,518)	(15,747)	(6,375)	(5,875)	(4,085)
Proceeds from long term finances	2,156	–	17,628	2,645	1,000	1,562
Oversubscribed sukuk	–	(8,093)	8,093	–	–	–
Dividend paid - ordinary shares	(4,681)	(4,200)	(2,620)	(5,770)	(5,246)	(4,197)
- preference shares	–	–	–	–	–	(1,337)
Increase / (decrease) in short term finances - net	3,096	(6,285)	(2,218)	9,630	(1,703)	(388)
<b>Net cash (used in) / from financing activities</b>	<b>(5,337)</b>	<b>(24,096)</b>	<b>5,136</b>	<b>130</b>	<b>(11,824)</b>	<b>(8,445)</b>
Net (decrease) / increase in cash and cash equivalents	(273)	(10,290)	10,805	(654)	711	(746)
Cash and cash equivalents at beginning of the year	810	11,100	295	949	238	984
<b>Cash and cash equivalents at end of the year</b>	<b>538</b>	<b>810</b>	<b>11,100</b>	<b>295</b>	<b>949</b>	<b>238</b>

## Cash Flows from Operating, Investing and Financing Activities

Rupees in Million



# Annexures to the Directors' Report

## VERTICAL ANALYSIS

### Statement of Financial Position

PKR in Million	2018		2017		2016		2015		2014		2013	
	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%
<b>Non current assets</b>												
Property, plant and equipment	78,262	71.2%	72,990	73.5%	72,941	66.0%	73,409	77.4%	68,823	82.8%	67,588	84.4%
Intangible assets	79	0.1%	38	-	18	-	26	-	30	-	43	0.1%
Long term investments	2,240	2.0%	2,238	2.3%	2,238	2.0%	2,106	2.2%	86	0.1%	85	0.1%
Long term loan to associated company	1,999	1.8%	2,999	3.0%	2,999	2.7%	2,200	2.3%	-	-	-	-
Long term deposits	254	0.2%	114	0.1%	130	0.1%	19	-	13	-	10	-
<b>Total non current assets</b>	<b>82,835</b>	<b>75.3%</b>	<b>78,380</b>	<b>78.9%</b>	<b>78,327</b>	<b>70.8%</b>	<b>77,760</b>	<b>82.0%</b>	<b>68,952</b>	<b>83.0%</b>	<b>67,726</b>	<b>84.6%</b>
<b>Current assets</b>												
Stores and Spares	5,059	4.6%	4,745	4.8%	4,972	4.5%	4,460	4.7%	4,090	4.9%	3,850	4.8%
Stock in trade	5,028	4.6%	3,814	3.8%	6,243	5.6%	7,003	7.4%	2,681	3.2%	2,702	3.4%
Trade debts	2,397	2.2%	1,796	1.8%	2,116	1.9%	335	0.4%	448	0.5%	99	0.1%
Short term loans	6,073	5.5%	3,967	4.0%	2,449	2.2%	500	0.5%	3,000	3.6%	3,000	3.7%
Advances, deposits and prepayments	7,398	6.7%	5,627	5.7%	5,191	4.7%	4,436	4.7%	3,000	3.6%	2,456	3.1%
Short term investments	623	0.6%	198	0.2%	200	0.2%	-	-	-	-	-	-
Cash and bank balances	538	0.5%	810	0.8%	11,100	10.0%	295	0.3%	949	1.1%	238	0.3%
<b>Total current assets</b>	<b>27,116</b>	<b>24.7%</b>	<b>20,957</b>	<b>21.1%</b>	<b>32,271</b>	<b>29.2%</b>	<b>17,029</b>	<b>18.0%</b>	<b>14,169</b>	<b>17.0%</b>	<b>12,346</b>	<b>15.4%</b>
<b>Total assets</b>	<b>109,951</b>	<b>100.0%</b>	<b>99,336</b>	<b>100.0%</b>	<b>110,597</b>	<b>100.0%</b>	<b>94,789</b>	<b>100%</b>	<b>83,121</b>	<b>100%</b>	<b>80,072</b>	<b>100%</b>
<b>Capital and reserves</b>												
Issued, subscribed and paid up capital	21,000	19.1%	21,000	21.1%	21,000	19.0%	21,000	22.2%	21,000	25.3%	21,000	26.2%
Reserves	41,261	37.5%	32,742	33.0%	26,374	23.8%	19,229	20.3%	15,757	19.0%	11,759	14.7%
<b>Total capital and reserves</b>	<b>62,261</b>	<b>56.6%</b>	<b>53,742</b>	<b>54.1%</b>	<b>47,374</b>	<b>42.8%</b>	<b>40,229</b>	<b>42.4%</b>	<b>36,757</b>	<b>44.2%</b>	<b>32,759</b>	<b>40.9%</b>
<b>Non current Liabilities</b>												
Long term finance	6,888	6.3%	10,774	10.8%	16,343	14.8%	13,168	13.9%	17,335	20.9%	22,647	28.3%
Deferred liabilities	15,807	14.4%	15,764	15.9%	15,642	14.1%	15,412	16.3%	14,421	17.3%	9,391	11.7%
Long term deposits	49	-	51	0.1%	51	-	33	-	33	-	-	-
<b>Total non current liabilities</b>	<b>22,744</b>	<b>20.7%</b>	<b>26,589</b>	<b>26.8%</b>	<b>32,035</b>	<b>29.0%</b>	<b>28,613</b>	<b>30.2%</b>	<b>31,789</b>	<b>38.2%</b>	<b>32,038</b>	<b>40.0%</b>
<b>Current liabilities</b>												
Trade and other payables	13,688	12.4%	11,435	11.5%	17,375	15.7%	8,626	9.1%	7,326	8.8%	6,640	8.3%
Accrued finance cost	224	0.2%	168	0.2%	259	0.2%	260	0.3%	259	0.3%	383	0.5%
Short term finance - secured	4,822	4.4%	1,726	1.7%	8,011	7.2%	10,229	10.8%	600	0.7%	2,303	2.9%
Unclaimed dividend	69	0.1%	25	-	24	-	20	-	15	-	11	-
Current maturity of long term finances	6,142	5.6%	5,652	5.7%	5,518	5.0%	6,812	7.2%	6,375	7.7%	5,938	7.4%
<b>Total current liabilities</b>	<b>24,945</b>	<b>22.7%</b>	<b>19,005</b>	<b>19.1%</b>	<b>31,188</b>	<b>28.2%</b>	<b>25,948</b>	<b>27.4%</b>	<b>14,575</b>	<b>17.5%</b>	<b>15,275</b>	<b>19.1%</b>
<b>Total liabilities and equity</b>	<b>109,951</b>	<b>100.0%</b>	<b>99,336</b>	<b>100.0%</b>	<b>110,597</b>	<b>100.0%</b>	<b>94,789</b>	<b>100.0%</b>	<b>83,121</b>	<b>100.0%</b>	<b>80,072</b>	<b>100.0%</b>



# HORIZONTAL ANALYSIS

## Statement of Financial Position

	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12
PKR in Million	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change
<b>Non current Assets</b>												
Property, plant and equipment	78,262	7.2%	72,990	0.1%	72,941	-0.6%	73,409	6.7%	68,823	1.8%	67,588	0.1%
Intangible assets	79	105.9%	38	113.3%	18	-32.1%	26	-12.3%	30	-29.6%	43	26.1%
Long term investments	2,240	0.1%	2,238	-	2,238	6.3%	2,106	2354.9%	86	0.7%	85	-
Long term loan to associated Company	1,999	-33.3%	2,999	-	2,999	36.3%	2,200	-	-	-	-	-
Long term deposits	254	122.6%	114	-12.0%	130	600.8%	19	39.5%	13	29.6%	10	-9.8%
<b>Total non current assets</b>	<b>82,835</b>	<b>5.7%</b>	<b>78,380</b>	<b>0.1%</b>	<b>78,327</b>	<b>0.7%</b>	<b>77,760</b>	<b>12.8%</b>	<b>68,952</b>	<b>1.8%</b>	<b>67,726</b>	<b>0.1%</b>
<b>Current assets</b>												
Stores and Spares	5,059	6.6%	4,745	-4.6%	4,972	11.5%	4,460	9.0%	4,090	6.2%	3,850	19.2%
Stock in trade	5,028	31.8%	3,814	-38.9%	6,243	-10.9%	7,003	161.2%	2,681	-0.8%	2,702	7.7%
Trade debts	2,397	33.5%	1,796	-15.1%	2,116	531.5%	335	-25.3%	448	352.0%	99	-28.4%
Short term loans	6,073	53.1%	3,967	62.0%	2,449	389.8%	500	-83.3%	3,000	-	3,000	-
Advances, deposits and prepayments	7,398	31.5%	5,627	8.4%	5,191	17.0%	4,436	47.9%	3,000	22.2%	2,456	67.3%
Short term investments	623	214.6%	198	-1.2%	200	-	-	-	-	-	-	-
Cash and bank balances	538	-33.6%	810	-92.7%	11,100	3660.1%	295	-68.9%	949	298.2%	238	-75.8%
<b>Total current assets</b>	<b>27,116</b>	<b>29.4%</b>	<b>20,957</b>	<b>-35.1%</b>	<b>32,271</b>	<b>89.5%</b>	<b>17,029</b>	<b>20.2%</b>	<b>14,169</b>	<b>14.8%</b>	<b>12,346</b>	<b>48.2%</b>
<b>Total assets</b>	<b>109,951</b>	<b>10.7%</b>	<b>99,336</b>	<b>-10.2%</b>	<b>110,597</b>	<b>16.7%</b>	<b>94,789</b>	<b>14.0%</b>	<b>83,121</b>	<b>3.8%</b>	<b>80,072</b>	<b>5.4%</b>
<b>Capital and reserves</b>												
Issued, subscribed and paid up capital	21,000	-	21,000	-	21,000	-	21,000	-	21,000	-	21,000	-
Reserves	41,261	26.0%	32,742	24.1%	26,374	37.2%	19,229	22.0%	15,757	34.0%	11,759	48.0%
<b>Total capital and reserves</b>	<b>62,261</b>	<b>15.9%</b>	<b>53,742</b>	<b>13.4%</b>	<b>47,374</b>	<b>17.8%</b>	<b>40,229</b>	<b>9.4%</b>	<b>36,757</b>	<b>12.2%</b>	<b>32,759</b>	<b>13.2%</b>
<b>Non current liabilities</b>												
Long term finance	6,888	-36.1%	10,774	-34.1%	16,343	24.1%	13,168	-24.0%	17,335	-23.5%	22,647	-16.2%
Deferred liabilities	15,807	0.3%	15,764	0.8%	15,642	1.5%	15,412	6.9%	14,421	53.6%	9,391	93.9%
Long term deposits	49	-4.4%	51	1.0%	51	53.8%	33	0%	33	-	-	-
<b>Total non current liabilities</b>	<b>22,744</b>	<b>-14.5%</b>	<b>26,589</b>	<b>-17.0%</b>	<b>32,035</b>	<b>12.0%</b>	<b>28,613</b>	<b>-10.0%</b>	<b>31,789</b>	<b>-0.8%</b>	<b>32,038</b>	<b>-7.9%</b>
<b>Current liabilities</b>												
Trade and other payables	13,688	19.7%	11,435	-34.2%	17,375	101.4%	8,626	17.7%	7,326	10.3%	6,640	33.1%
Accrued finance cost	224	33.5%	168	-35.3%	259	-0.2%	260	0.4%	259	-32.5%	383	-23.2%
Short term finance - secured	4,822	179.4%	1,726	-78.5%	8,011	-21.7%	10,229	1606.1%	600	-74.0%	2,303	-14.4%
Unclaimed dividend	69	180.3%	25	1.7%	24	23.0%	20	33.3%	15	39.6%	11	44.7%
Current maturity of long term finances	6,142	8.7%	5,652	2.4%	5,518	-19.0%	6,812	6.9%	6,375	7.4%	5,938	45.3%
<b>Total current liabilities</b>	<b>24,945</b>	<b>31.3%</b>	<b>19,005</b>	<b>-39.1%</b>	<b>31,188</b>	<b>20.2%</b>	<b>25,948</b>	<b>78.0%</b>	<b>14,575</b>	<b>-4.6%</b>	<b>15,275</b>	<b>24.5%</b>
<b>Total liabilities and equity</b>	<b>109,951</b>	<b>10.7%</b>	<b>99,336</b>	<b>-10.2%</b>	<b>110,597</b>	<b>16.7%</b>	<b>94,789</b>	<b>14.0%</b>	<b>83,121</b>	<b>3.8%</b>	<b>80,072</b>	<b>5.4%</b>

# Annexures to the Directors' Report

## VERTICAL ANALYSIS

### Statement of Profit or Loss

PKR in Million	2018		2017		2016		2015		2014		2013	
	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%
Sales	45,964	100.0%	37,612	100.0%	33,765	100.0%	30,226	100.0%	36,169	100.0%	33,496	100.0%
Cost of Sales	(19,483)	-42.4%	(17,275)	-45.9%	(15,780)	-46.7%	(13,209)	-43.7%	(14,708)	-40.7%	(13,785)	-41.2%
<b>Gross Profit</b>	<b>26,481</b>	<b>57.6%</b>	<b>20,337</b>	<b>54.1%</b>	<b>17,985</b>	<b>53.3%</b>	<b>17,017</b>	<b>56.3%</b>	<b>21,461</b>	<b>59.3%</b>	<b>19,711</b>	<b>58.8%</b>
Distribution Cost	(3,630)	-7.9%	(3,482)	-9.3%	(2,383)	-7.1%	(1,782)	-5.9%	(1,449)	-4.0%	(1,430)	-4.3%
Administrative Expenses	(2,098)	-4.6%	(1,534)	-4.1%	(1,308)	-3.9%	(1,021)	-3.4%	(1,346)	-3.7%	(1,076)	-3.2%
	20,754	45.2%	15,321	40.7%	14,294	42.3%	14,214	47.0%	18,666	51.6%	17,205	51.4%
Finance Cost	(1,450)	-3.2%	(2,198)	-5.8%	(2,739)	-8.1%	(2,379)	-7.9%	(3,767)	-10.4%	(4,169)	-12.4%
Other Operating Expenses	(1,708)	-3.7%	(913)	-2.4%	(631)	-1.9%	(861)	-2.8%	(1,374)	-3.8%	(1,010)	-3.0%
	17,595	38.3%	12,209	32.5%	10,924	32.4%	10,974	36.3%	13,525	37.4%	12,026	35.9%
Other Operating Income	915	2.0%	527	1.4%	703	2.1%	574	1.9%	624	1.7%	295	0.9%
<b>Profit Before Tax</b>	<b>18,511</b>	<b>40.3%</b>	<b>12,736</b>	<b>33.9%</b>	<b>11,627</b>	<b>34.4%</b>	<b>11,548</b>	<b>38.2%</b>	<b>14,149</b>	<b>39.1%</b>	<b>12,321</b>	<b>36.8%</b>
Taxation	(5,238)	-11.4%	(2,160)	-5.7%	(1,844)	-5.5%	(2,295)	-7.6%	(4,891)	-13.5%	(4,298)	-12.8%
<b>Profit for the year</b>	<b>13,272</b>	<b>28.9%</b>	<b>10,576</b>	<b>28.1%</b>	<b>9,782</b>	<b>29.0%</b>	<b>9,254</b>	<b>30.6%</b>	<b>9,258</b>	<b>25.6%</b>	<b>8,022</b>	<b>23.9%</b>

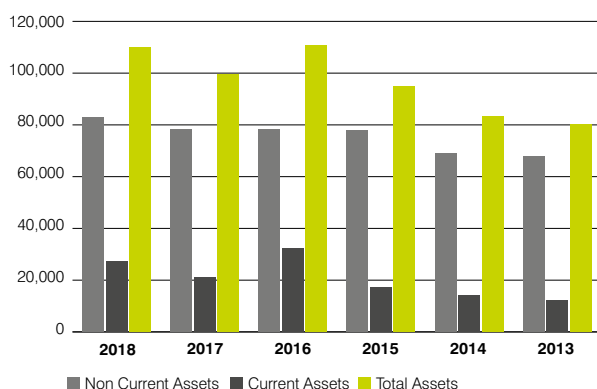
## HORIZONTAL ANALYSIS

### Statement of Profit or Loss

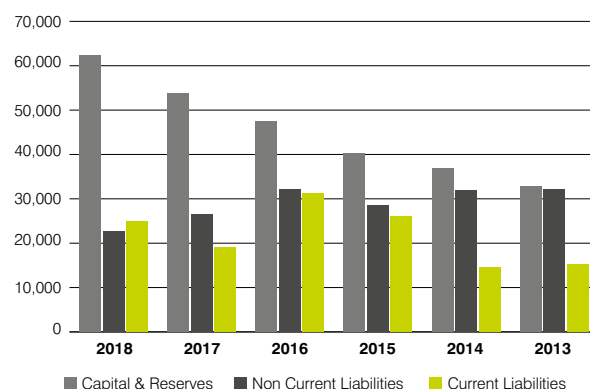
PKR in Million	2018	18 vs17	2017	17 vs16	2016	16 vs15	2015	15 vs14	2014	14 vs13	2013
	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR
Sales	45,964	22.2%	37,612	11.4%	33,765	11.7%	30,226	-16.4%	36,169	8.0%	33,496
Cost of Sales	(19,483)	12.8%	(17,275)	9.5%	(15,780)	19.5%	(13,209)	-10.2%	(14,708)	6.7%	(13,785)
<b>Gross Profit</b>	<b>26,481</b>	<b>30.2%</b>	<b>20,337</b>	<b>13.1%</b>	<b>17,985</b>	<b>5.7%</b>	<b>17,017</b>	<b>-20.7%</b>	<b>21,461</b>	<b>8.9%</b>	<b>19,711</b>
Distribution Cost	(3,630)	4.2%	(3,482)	46.1%	(2,383)	33.7%	(1,782)	23.0%	(1,449)	1.3%	(1,430)
Administrative Expenses	(2,098)	36.8%	(1,534)	17.2%	(1,308)	28.1%	(1,021)	-24.1%	(1,346)	25.1%	(1,076)
	20,754	35.5%	15,321	7.2%	14,294	0.6%	14,214	-23.9%	18,666	8.5%	17,205
Finance Cost	(1,450)	-34.0%	(2,198)	-19.8%	(2,739)	15.1%	(2,379)	-36.8%	(3,767)	-9.6%	(4,169)
Other Operating Expenses	(1,708)	87.0%	(913)	44.8%	(631)	-26.7%	(861)	-37.4%	(1,374)	36.0%	(1,010)
	17,595	44.1%	12,209	11.8%	10,924	-0.5%	10,974	-18.9%	13,525	12.5%	12,026
Other Operating Income	915	73.8%	527	-25.0%	703	22.3%	574	-8.0%	624	111.7%	295
<b>Profit Before Tax</b>	<b>18,511</b>	<b>45.3%</b>	<b>12,736</b>	<b>9.5%</b>	<b>11,627</b>	<b>0.7%</b>	<b>11,548</b>	<b>-18.4%</b>	<b>14,149</b>	<b>14.8%</b>	<b>12,321</b>
Taxation	(5,238)	142.5%	(2,160)	17.1%	(1,844)	-19.6%	(2,295)	-53.1%	(4,891)	13.8%	(4,298)
<b>Profit for the year</b>	<b>13,272</b>	<b>25.5%</b>	<b>10,576</b>	<b>8.1%</b>	<b>9,782</b>	<b>5.7%</b>	<b>9,254</b>	<b>0.0%</b>	<b>9,258</b>	<b>15.4%</b>	<b>8,022</b>

# GRAPHICAL PRESENTATION

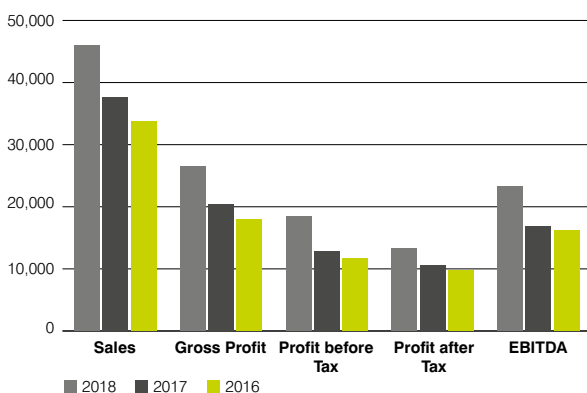
**Balance Sheet Analysis (Assets)**  
Rupees in Million



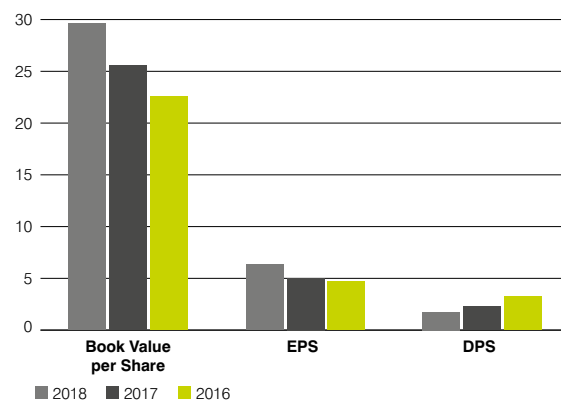
**Balance Sheet Analysis (Equity & Liabilities)**  
Rupees in Million



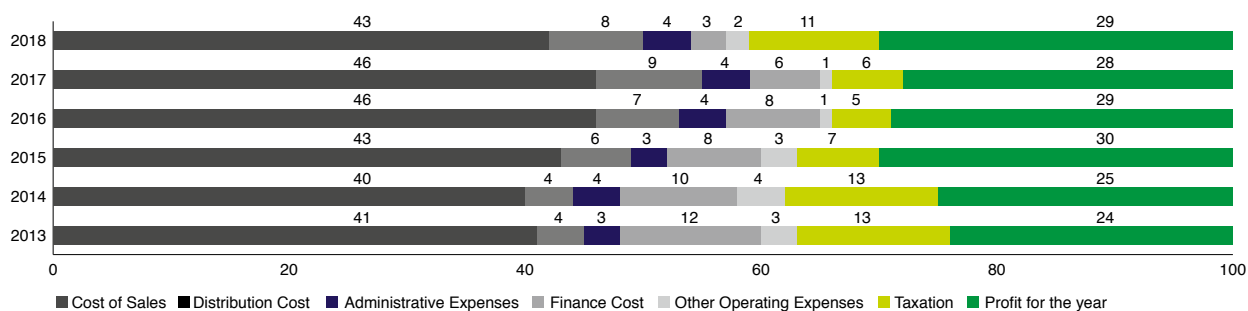
**Sales & Margin**  
Rupees in Million



**Book Value, Earnings & Dividend Per Share**  
Rupees



**Profit and Loss Analysis**  
Percentage



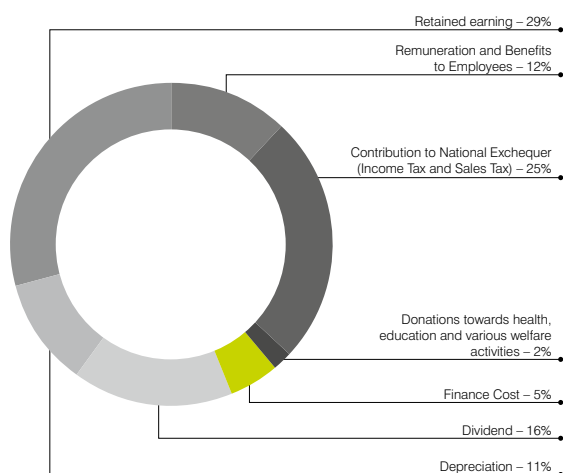
# WEALTH CREATION AND DISTRIBUTION

	2018		2017	
<b>Wealth Generated</b>	<b>PKR Million</b>	<b>%</b>	<b>PKR Million</b>	<b>%</b>
Sales Including GST	48,092	162.1%	41,565	171.0%
Other Income	915	3.1%	527	2.2%
	49,008	165.2%	42,092	173.1%
Materials and Services Bought In	19,334	65.2%	17,779	73.1%
Value Addition	29,673	100.0%	24,313	100.0%

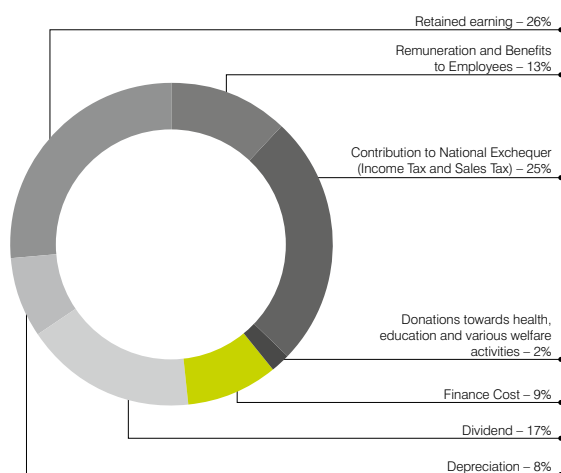
  

<b>Wealth Distributed</b>	<b>PKR Million</b>	<b>%</b>	<b>PKR Million</b>	<b>%</b>
Remuneration and Benefits to Employees	3,526	11.9%	3,002	12.4%
Contribution to National Exchequer (Income Tax and Sales Tax)	7,367	24.8%	6,114	25.1%
Donations towards health, education and various welfare activities	770	2.6%	586	2.4%
Finance Cost	1,450	4.9%	2,198	9.0%
Dividend on ordinary and preference shares	4,725	15.9%	4,200	17.3%
Retained for future growth:				
Depreciation	3,288	11.1%	1,837	7.6%
Retained earning	8,547	28.8%	6,376	26.2%
	29,673	100.0%	24,313	100.0%

2018 Percentage



2017 Percentage



# SWOT ANALYSIS



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



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



- CPEC
- Business Diversification - International Markets
- One stop Agriculture Input Solutions & Services
- High Tech Mechanized / precision agriculture & crop insurance – corporate farming



- Uncertain Government Policy Outlook regarding the fertilizer sector
- Shortage of Gas
- Competition in Value Addition
- 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, the Strategic, Commercial, Operational and Financial risks can arise from uncertainties not only from our business environment but also from key business decisions.

### **Strategic Risk:**

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

### **Commercial Risk:**

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

### **Operational Risk:**

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

### **Financial Risk:**

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

### **Risk Mitigation Strategies:**

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

Also, an Enterprise Risk Management (ERM) function within the Internal Audit Division is operating to oversee all business risks and develop appropriate and effective mitigation strategies. Further, for efficient monitoring a detailed risk profiling matrix and complete adherence to Risk Management Dimension/Practices have been implemented as per ERM framework.

## 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 15th Annual General Meeting held on April 30, 2018 and no significant issues were raised.

## Review of Related Party Transactions

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

## Policy and Procedure for Stakeholders' Engagement

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

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

Stakeholders	Why do we Engage	Nature of Engagement	Frequency	Value Added
<b>Institutional Investors / Lenders</b>	To further strengthen Fatima's image by maintaining a professional and transparent relationship	<ol style="list-style-type: none"> <li>Investor Meetings</li> <li>Financial reporting</li> <li>Head Office / Plant visits</li> <li>Circulation of Minutes</li> <li>Circulation of Company Reports</li> </ol>	<ol style="list-style-type: none"> <li>As and when required</li> <li>Periodic Basis</li> <li>As and when required</li> <li>Periodic Basis</li> <li>Periodic Basis</li> </ol>	Financing requirements are met for expansion projects
<b>Customers`</b>	<ol style="list-style-type: none"> <li>Enhance farmer knowledge base about technological advancements in Agri sector</li> <li>Educate farmer about potential benefits of balanced fertilizer use</li> </ol>	<ol style="list-style-type: none"> <li>Farmer call center</li> <li>Farmer education events</li> <li>Demonstration plots</li> <li>Corporate website</li> <li>Effective reward system place for customers and distributors</li> <li>Office meetings</li> </ol>	<ol style="list-style-type: none"> <li>Continuous</li> <li>Occasionally</li> <li>Continuous</li> <li>Continuous</li> <li>Occasionally</li> <li>Occasionally</li> </ol>	<ol style="list-style-type: none"> <li>Valuable feedback helps in understanding what farmers want</li> <li>Helps in bridging the gap between farmer and Company</li> </ol>
<b>Media</b>	To benefit from the most effective means of communication with our customers and other stakeholders	<ol style="list-style-type: none"> <li>Advertisements through print and electronic media campaigns</li> <li>Announcements through Company website and social media</li> </ol>	<ol style="list-style-type: none"> <li>Continuous</li> <li>Continuous</li> </ol>	<ol style="list-style-type: none"> <li>Helps in building Company's image, resulting in maximizing shareholders wealth</li> <li>Engagement of all stakeholders</li> </ol>
<b>Employees</b>		<ol style="list-style-type: none"> <li>Sale and other events</li> <li>Cultural activities</li> <li>Trainings</li> <li>Workshops</li> </ol>	<ol style="list-style-type: none"> <li>Annually</li> <li>Occasionally</li> <li>Annually</li> <li>As and when required</li> </ol>	Satisfied and engaged employees become valuable assets for the Company resulting in higher efficiency and productivity
<b>Shareholders</b>	<ol style="list-style-type: none"> <li>Timely delivery of material and price sensitive information in a transparent manner</li> <li>To address concerns and queries in a timely manner</li> </ol>	<ol style="list-style-type: none"> <li>Annual general meetings</li> <li>Annual report</li> <li>Quarterly reports</li> <li>One-on-One meetings with investors</li> <li>Investor relations section on website</li> </ol>	<ol style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> <li>As and when required</li> <li>Continuous</li> </ol>	<ol style="list-style-type: none"> <li>Results in the stock price trading at intrinsic value</li> <li>To encourage equity participation in expansion project</li> </ol>
<b>Regulators</b>	<ol style="list-style-type: none"> <li>Ensure full compliance with legal and regulatory requirements</li> <li>To develop and sustain transparent means of communication with the regulator</li> </ol>	<ol style="list-style-type: none"> <li>Filing of statutory returns</li> <li>Annual / Quarterly reports submission</li> <li>Written communication with respect to queries</li> <li>One-on-one meetings with representatives of regulators</li> </ol>	<ol style="list-style-type: none"> <li>Periodic basis</li> <li>As and when required</li> <li>As and when required</li> <li>As and when required</li> </ol>	<ol style="list-style-type: none"> <li>Full compliance leads to positive projection of Company's image, in-turn maximizing shareholder value</li> <li>Responsible corporate citizen</li> </ol>

## 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](http://www.fatima-group.com/fatimafertilizer) for its investors to facilitate existing and prospective investor queries and concerns with regards to information related to financial results and highlights, financial calendar, and share value. Moreover, the investor relations desk at Fatima ensures that the information under this section is updated on regular basis, by complying with the guidelines provided by SECP. Investors can also use the investor relations desk to contact the Company for any grievance using the email [investor.relations@fatima-group.com](mailto:investor.relations@fatima-group.com).

## Annual Report Accessibility

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

## Investor Grievance Policy

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

### Process:

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

## Annual Evaluation of Board's Performance

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

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

The Board assesses the effectiveness of its own collective working and that of its individual members. Board evaluations are based around directors rating the board as collective. This represents a true picture as rating is done on a series of questions related to their responsibilities and functions as a Board. As part of this exercise Capabilities and Constraints are identified and the next part involves the Board members meeting and discussing the findings of the data gathered and analysis to reach an agreement on governance challenges facing the Board and the development of appropriate action plans designed to address the problems. The results are then compiled and analyzed, and the report is delivered to the Chairman. The results



also serve as a benchmark for Fatima for the next time a board evaluation is held. It helps the Company to gauge whether improvements which were suggested in the last report were taken forward and changes were implemented or not.

## Role and Responsibilities of the Chairman and Chief Executive

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

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

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

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

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

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

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

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

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

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



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

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

## Whistle Blowing Policy

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

## 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

Our belief is that an organization is as good as its people. Our human resources strategy involves engaging our talent in challenging projects and providing high achievers with skill enhancement opportunities that prepare them for the next level performance.

As we operate in ever more demanding professional environment, the leadership and the HR team at Fatima understands the blurring relationship between work and life. It is the organization's job to become more flexible. We have seen a great correlation between increase in employee motivation/performance and the independence they are given at jobs. Pre-dominantly as a manufacturing concern, Fatima's HR Department remains accommodating of its employees to ensure their productivity and satisfaction levels continue to increase.

An ISO 27001:2013 compliant ISMS (Information Security Management System) is established and maintained by the IT division of the company. The Management actively supports Information Security within the company, particularly in the IT division and ISMS certification status has been maintained for four consecutive years now.

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

- I. ISMS is established, implemented and managed through policies, procedures, and guidelines;
- II. The organization is well defined; responsibilities for each position are clearly articulated in the respective job descriptions and training and awareness program is established;

## Training

Overall Training Man-Hours	2018	2017
Soft Skills (Manufacturing + Non-Manufacturing)	28,082	1,592
Functional Trainings (Manufacturing)	42,000	40,094
Functional Trainings (Non-Manufacturing)	544	691
<b>Total Hours</b>	<b>70,626</b>	<b>42,377</b>

## Succession Planning

Fatima is picking up its pace on employee development and training. The overall training cycle is a blend of 360 Degree Appraisal and Employee Development Framework. Both the Appraisal System and the Employee Development Framework are part of the Fatima's 3S Leadership Model. These are part of company's larger succession planning initiatives explained below in the Integrated Talent Management section.

- III. Information Assets are identified, and their associated risks are assessed and evaluated, and appropriate mitigation measures are identified in risk treatment planning;
- IV. Customer focus is emphasized while delivering the solutions. It is ensured that these are simple to use, value driven and secure;
- V. Backup and disaster recovery plan are maintained for critical data to allow continuity of business without disruption. It is ensured that a disaster recovery site is functional and disaster recovery drills are held at regular intervals throughout the year;
- VI. The 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. Capacity planning exercises are conducted at least once every year to ensure that sufficient resources (infrastructure and human) are available to deliver services;
- IX. Procurement is conducted in an ethical manner, ensuring that what is procured is required and is of the best quality at competitive prices;

## Information Technology

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

- X. Risk analysis of all the information assets are conducted 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. A service desk for centralized management of requests, complaints and incidents is in place;
- XIII. The Project Management Office is established to centrally manage, monitor and track all projects. Project charters and project plans are prepared and published prior to the start of the project;
- XIV. A Project Close out (Post Mortem) session is conducted every year to review key lessons learned from projects for improvement in future projects.

With the vision of developing people's skills, the IT division has spent 8,800 man-hours on trainings during the year. This includes governance, security, applications and infrastructure trainings.

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

## Management of Change (MOC) Phase II

Continuing efforts towards becoming a paperless environment, the IT division successfully automated the remaining processes for management of change. This has synergized MOC practices on all three fertilizer plants as per internationally recognized PSM standard. Fatima is a pioneer company in Pakistan to systemize all MOC processes through integration with Oracle ERP.

## e-log Book for Plant

Manual and paper-based log books of all plants have been replaced with e-log books. This has saved a tremendous amount of time and cost previously spent for maintaining and keeping paper-based log books. This has also provided the operational efficiency and ease of access to all relevant information at a single click.

## iSupplier Portal

The iSupplier portal has been implemented to automate the process of SLAs (Service Level Agreements) related to the IT division. This implementation covers purchase agreements, releases of purchase agreements, receiving of services, processing of payable invoices and payments related to these SLAs. This portal facilitates vendors for entering work confirmations and invoices thus reducing chances of errors and lead time for payments. This portal will be extended for other supplies and services in the future.

## Mobile App for Sales Operations Enhancements

A mobile app was developed in 2017 to empower warehouse in-charges. Additional features are incorporated in the app to make it more robust and efficient.

## Services Procurement

All job requests and job orders are processed through this system. This has provided the flexibility, traceability and efficiency in plant related services procurement and eliminated manual processes.

## Customer Relationship Management (CRM)

Oracle sales cloud has been implemented as a CRM too. This implementation has enabled the sales team to drive results with complete mobility. The system has also enabled our workforce to capture market information and prepare dealer wise forecasts and comparisons. Real-time integration with ERP has helped to improve the decision-making process.

## Manufacturing Analytics

Manufacturing analytics were implemented to capture the production and MOC reporting requirements through the Oracle Business Intelligence tool.

## Development Need Analysis (DNA)

DNA is a tool to identify the developmental needs of employees and action plans to address the identified needs. It also encompasses career aspirations and discussions with line managers for future growth.

## Exchange Upgrade

Microsoft Exchange (email services) have been upgraded to the latest versions for a more reliable and better end user experience.

## IT Infrastructure Expansion

Private Cloud Infrastructure has been successfully upgraded during the year. A continuous activity of 29 hours was completed for updating blade chassis, blade servers, fabric management servers, SAN storage and SAN switches firmware. Storage capacity and computing power of private cloud infrastructure has been extended by adding more storage volumes and blade servers.

The IT division has also implemented a Next Generation Firewall to maintain a more secure network. Cisco Prime has been implemented to simplify the management of network devices. The consolidated management has reduced the number of tools required to manage the network with greater visibility and control in troubleshooting.



# NOTICE OF THE 16<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 16<sup>th</sup> Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Tuesday, April 30, 2019 at 11:00 a.m. at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business:

## Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on November 18, 2018.
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, 2018.
3. To consider and approve final cash dividend for the year ended December 31, 2018 at PKR 1.75 per share i.e., 17.5% as recommended by the Board of Directors.
4. To appoint Auditors for the year ending December 31, 2019 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 renewal of running finance facility limit extended to associated company namely Pakarab Fertilizers Limited for further period of one year and to pass the following Special Resolution(s) with or without modification(s):

**“Resolved**, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of Running Finance Facility limit of up-to an aggregate amount of PKR 2,000 million extended to Pakarab Fertilizers Limited for further period of one year to be repaid within 30 days of the notice of demand. The limit in the nature of Running Finance Facility shall be renewable in next general meeting(s) for further period(s) of one year.

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

7. To consider and approve extension in grace and repayment period of long term loan extended to Pakarab Fertilizers Limited for further 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 the extension in grace and repayment period of PKR 3 billion long term loan extended to associated Company namely Pakarab Fertilizers Limited for further three year period.

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

8. To ratify and approve the transactions carried out by the Company with related parties as disclosed in Financial Statements for the year ended December 31, 2018 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, 2018 be and are hereby ratified and approved.”

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

**“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, 2019.

**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.

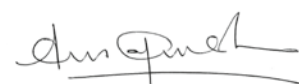
**Resolved further**, that within the parameters approved above by the shareholders of the Company, the Board of Directors of the Company may approve specific related party transactions from time to time, irrespective of composition of the Board and in compliance with the Company’s policy pertaining 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.”

## Other Business

10. 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



Lahore  
April 09, 2019

**Ausaf Ali Qureshi**  
Company Secretary

## Notes:

1. The Share Transfer Books of the Company will remain closed from April 24, 2019 to April 30, 2019 (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, 2019 will be treated in time for the aforesaid purpose.
2. A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
3. An individual beneficial owner of shares from CDC must bring his/her original CNIC or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.

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

#### 4. Withholding Tax on Dividends

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

- (a) For filers of income tax returns: 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 before the date of approval of the cash dividend i.e., April 30, 2019, 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 April 23, 2019.

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
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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 directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Credit Mandate Form provided in the Annual Report and also available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company 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 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. 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

#### **7. E-Voting**

Members can exercise their right to poll subject to meeting of requirement of Section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.

#### **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, 2018 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](http://fatima-group.com/updata/others/standard_request_form_ffcl.pdf).

# OPERATIONAL PERFORMANCE

## 1 Health Safety & Environment (HSE)

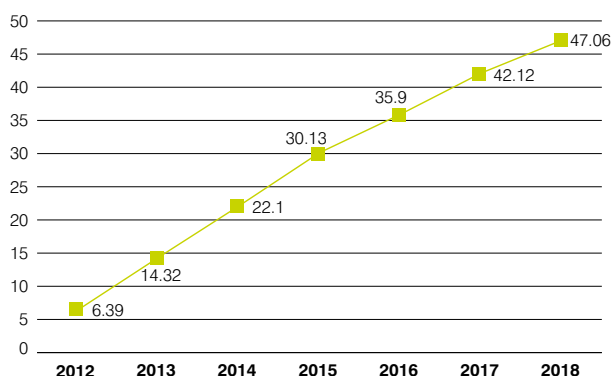
HSE performance of Fatima Plant remained excellent throughout 2018. The year closed with Total Recordable Incidence Rate (TRIR) of 0.12 against the limit of 0.20. Site achieved 47 million safe man-hours which are the highest ever in the domestic fertilizer industry. Safety statistics running in a comfortable range despite multi-billion rupees projects remained in full swing. Fatima Plant also sustained a PSM Excellence level by self auditing and maintaining firm team commitment.

Miscellaneous safety and environmental campaigns were launched such as Safar Bakhair (road safety), Safe Routines, Save Water It Matters (SWIM), One Person One Tree, Stop Plastic Pollution. In order to improve off the job safety, a "Permit to Work" system, and TRIR & Man Hour data logging was implemented successfully in Township.

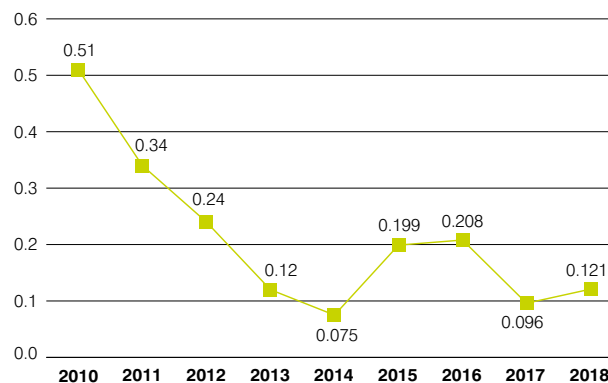
Fatima participated in various national and international forums including DuPont in Toronto Canada (Achieving Excellence in PSM), 5<sup>th</sup> Annual Meeting of Representatives for Chemical Industry and National Authorities of States Parties to the Chemical Weapons Convention in Doha Qatar, CSP Conference in Karachi and the Nescom Seminar. Prestigious institutes acknowledged Fatima's safety performance by awarding the British Counsel Safety Award, the Gold RoSPA Award (UK) 2018 and the NFEH Fire & Safety Award.

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

## Safe Million Man Hours



## Total Recordable Incident Rate (TRIR)



## 2 Operational Performance

Fatima completed its yearly production targets in the last week of December and achieved a landmark highest ever figure of 1.4 Million MT annual production.

Over 60,000MT of world-class quality Urea Prills were exported to several destinations in international market and were well received globally.

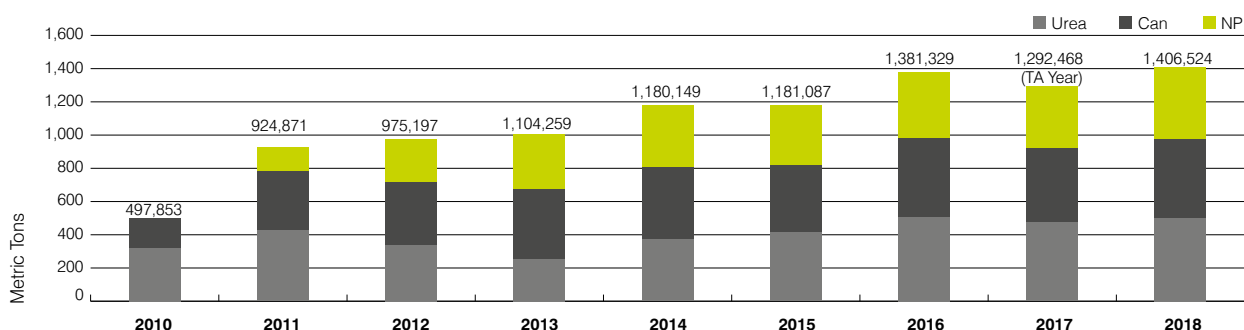
The three days trial conducted in 2017 to prove NP capacity enhancement through Phosphoric Acid injection was converted to reality in 2018. Plant rates ramped up to ~1,344 MTPD (12% revamp) in August 2018 well before the execution of the project with in-house interim innovations. An additional ~14,000 MT NP was produced in the review period.

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

### Yearly Production 2018

	Actual (MT)	Budgeted (MT)
<b>- Finished Products -</b>		
Urea	502,306	512,374
CAN	474,968	463,499
NP	429,250	399,687
<b>Total Fertilizer</b>	<b>1,406,524</b>	<b>1,375,560</b>
<b>- Intermediates -</b>		
Ammonia	590,342	583,080
Nitric Acid	521,752	504,854

## Yearly Fertilizer Production:



### 3 Projects

#### Low Pressure Booster Compressors at Mari Site

Entire equipment of all three units was safely received and successfully installed on their foundations at Mari Site. Satisfactory mechanical completion of two units achieved.

#### NP Revamp

Basic and Detailed Engineering Designs were carried out for Phase-1 via RP (10%) and Phase-2 via Phosphoric Acid (12%). TA-19 scope is being executed for capacity enhancement to 122% (from 1,200 to 1,464 MTPD) on a sustained month-on-month basis.

### 4 Company Image Building

In 2018, Fatima participated in 5 international and 5 local forums and presented papers comprising of in-house research and experience related to plant operation, safety, reliability and technological advancements.

### 5 Learning & Development

Fatima became the first Pakistani company to receive ATD (Association for Talent Development, USA) 'Excellence In Practice Award 2018'. Fatima also received accredited certification of ISO-29993 (Learning Services Outside Formal Education) from IAS (International Accreditation Service, USA).

The dedicated Learning & Development Centre (L&DC) is focused on catering learning needs, nurturing a local talent pool of trainers and providing

Sr. No.	Event-2018	Date	Location
1	GE Annual Meeting / Conference	Jan 2018	Florence, Italy
2	Nescom Seminar on "Toxic / Dual use industrial chemicals"	Feb 2018	Nescom, Head Quarters, Islamabad, Pakistan
3	TKIS Fertilizer Symposium	May 2018	Germany
4	AIChE Ammonia Symposium	Sep 2018	Canada
5	LEARN '18 Topsoe Academy	Sep 2018	Denmark
6	5th Annual Chemical Weapons Convention (CWC) Meeting	Oct 2018	Doha Qatar
7	FFC International Technical Symposium	Oct 2018	Islamabad, Pakistan
8	WWF Annual Meeting	Nov 2018	Islamabad Pakistan
9	NFEH Fire & Safety Award Meeting	Nov 2018	Karachi Pakistan
10	1st Meeting of Centre of Chemical Process Safety (CCPS) - Pakistan Chapter	Dec 2018	Karachi, Pakistan

Platform for continual employee development of the entire group. A summary of 2018 achievements is provided below:

Year	Trainings (Man-hours)	HSE (Hrs)	Technical (Hrs)	Soft (Hrs)
2018	50,204	35,389	7,898	6,917



## MARKETING AND SALES

The year 2018 proved to be another ground breaking year for the marketing team as it continued its journey to excellence by focusing on core values of customer focus and innovation.

Having successfully executed campaigns of 'Dus Fisud Aur - 2016' (10% more) and 'Khaad Muft he Samjho - 2017' (Fertilizer is effectively free of cost), the brands team went ahead to give these two campaigns a logical conclusion by developing and broadcasting testimonials of high profile progressive farmers of Pakistan. The testimonial campaign started in Khareef season with Cotton crop and the choice was none other than Pakistan's top female progressive farmer, Ms. Rabia Sultan, President Farmer Association. The testimonial focused on her aspiration to become a farmer like her father and the challenges she had to overcome in a male dominated profession. It ended with her achieving 1st prize from Punjab Government for the highest yield in Cotton (81 Mounds per Acre) and successfully positioned Sarsabz Fertilizers as a reliable partner in her journey to success by getting more yield compared to other conventional fertilizers. Other such real life farmer stories were used for Rice and Maize for Khareef Campaign. For Rabi, Sindh Abadgaar Board's President, Mr. Abdul Majeed Nizamani articulated his story of leadership in challenging times and how Sarsabz Fertilizer helped in bringing prosperity to the farmers by giving more than 10% yield in Wheat crop.

The testimonial campaign was indeed a ground breaking integrated marketing communication, coming from the agriculture industry. Rabia Sultan's campaign especially sent waves running through the industry and was appreciated for its powerful story that not just focused on yield improvement and food security of Pakistan but also the important cause of women empowerment. For the first time in the history of Fatima, this campaign competed with International brands to win the Platinum Award at the prestigious International MARCOM Awards USA 2018.

Further, keeping in-tune with the changing dynamics of marketing, the brands team built an entire strategy on experiential marketing for farmers. It started out the year by joining hands with Pakistan's leading cricket league the Pakistan Super League (PSL) by sponsoring its newest addition - Multan Sultans. On-ground match screenings were held in villages, ghala mandis and main bazaars around Multan region which were thoroughly enjoyed by our dealers, farmers and youth. We supported these on ground activations with a holistic digital media strategy where we had players like Wasim Akram vouching for 'Sarsabz Fertilizer's 10% more" performance on field. Such



# WINS

THE FIRST EVER  
INTERNATIONAL MARKETING AWARD



# PLATINUM AWARD

POSITION  
1<sup>ST</sup>

INTERNATIONAL  
AT MARCOM  
AWARDS 2018



**Rabia Sultan**  
Highest cotton yield in Punjab 2016  
President Farmer Association of Pakistan

## ABOUT MARCOM

MarCom Awards honors excellence in marketing and communication while recognizing the creativity, hard work and generosity of industry professionals.

Since its inception in 2004; MarCom has evolved into one of the largest, most-respected creative competitions in the world. Each year about 6,000 print and digital entries are submitted from dozens of countries.

MarCom is administered by the Association of Marketing and Communication Professionals (AMCP). The international organization, founded in 1995, consists of several thousand marketing, communication, advertising, public relations, digital and web professionals. AMCP administers recognition programs, provides judges and rewards outstanding achievement and service to the community. Entrants are not charged entry fees for work, they perform pro bono for nonprofits. In the past few years alone, AMCP has contributed more than \$250,000 to charitable causes.

## THE STATUETTE

The MarCom statuette has long been a majestic symbol of marketing and communication achievement. The custom-designed, hand-tooled MarCom graces the trophy cases of some of the top business and communication firms in the world.

The iconic statuette is crafted by Society Awards; makers of the Golden Globes, Emmys, CLIOS, MTV, Academy of Country Music and American Music Awards.

engaging videos and match updates gave our facebook page a major kick start which today hosts far more fans than the competition.

The 'Multan Sultans' sponsorship was followed up with a major leap of faith by Sarsabz Fertilizer in purchasing a Kabaddi team 'Faisalabad Sherdils' in Pakistan's first Kabaddi League 'Super Kabaddi League' (SKL). This leap of faith was backed with thorough research by the brands team on farmer's love for the sport and their desire to have a company like ours support it. The Faisalabad Sherdils team, which was led by Pakistan's National team's Captain Nasir Ali, managed to bag the second position in the tournament with Nasir Ali himself being named the player of the tournament. The tournament was broadcasted live on PTV Sports which gave our brand Sarsabz considerable media mileage. Apart from our technical team bringing hundreds of farmers to the event, the matches were broadcasted live on dedicated facebook page of the team and it garnered a huge fan base in a span of just 20 days. Learning from our experience in SKL, the brands team managed to partner with the Pakistan Kabaddi Federation and Pakistan Wrestling Federation in successfully hosting a number of national level Kabaddi and Dangal Championships for the entertainment of farmers. Each event had participation of 5000 plus farmers that came from far off places to enjoy the sport on their ground. By involving media, the brand managed to get considerable exposure in leading news channels followed by massive engagement through broadcast of matches live on facebook and Youtube channels.

On the Technical front, brands and technical team continued working together on high profile farmer gatherings on Potato, Rice, Wheat and Cotton. Mega seminars continued to be held where thousands of farmers came to attend and had direct access to various stakeholders from government and private sector. The brand's growing influence is clearly visible with all research bodies of the government acknowledging the significant role of nitrates in advancing yields of Pakistani farmers. This year Potato Research institute in partnership with Sarsabz Fertilizer published "Aallu ki Behtareen Paidawar" (increase in Potato Yields) research magazine along with Wheat Research Institute publishing "Gundum ki Behtareen Paidawar" (increase in Wheat yields); both research magazines gave empirical evidence on NP and CAN giving greater yields than conventional fertilizers. The technical team spearheaded almost 200 demo plots in the year 2018 and managed to organize over 22,500 field visits to farmers. Soil sampling collection touched almost 25,000 for this year. Being IFA certified, our technical team

has been training farmers on 4R Nutrient Stewardship Model for Sustainable Agriculture. Continuing its strategy of involving all stakeholders for the betterment of Pakistan's agriculture, another milestone achieved by the technical team was signing an MOU with USAID for uplifting of small to medium farmers in Pakistan. Keeping up with its value of CSR, the technical team is working dedicatedly with Pakistan Army and Government of Baluchistan for uplifting of farmers in Southern Baluchistan with projects such as Kacchi Canal Model Farm and AWARAN Rehabilitation Project. The projects focus not only on providing best farming practices but also developing the agriculture value chain in these areas.

The Logistics team continued to bring efficiency in the fertilizer supply chain by automating its entire order and delivery management processes. The integrated logistics model with the automation is expected to bring savings of more than PKR 200 Million. Planning team successfully launched CRM app that has fully automated order management and given our sales team a great tool to service our growing network of Business Associates in the best possible manner. Capability team continued to bolster the team's knowledge pool by organizing dozens of trainings pertaining to business function needs as well marketing team's personality development.

The team is motivated and fully geared for the challenges going forward and will continue to create magic that will be translated into the highest standards for the overall industry to follow.

## Local Market Overview

In 2018, local off-take and production of Urea was at the same level as last year, at 5.8 million MT and 5.7 million MT respectively. There was also export of urea amounting to 75 KT in Q1-18. Due to product shortage, government had to import 105 KT Urea in Q4-18. Out of this, 25 KT was sold by year end, and the remaining 80 KT will be consumed in the first quarter of 2019. Fatima's Urea sales showed growth of 5.6%, going from 526 KT (108k export) in 2017 to 555 KT (63K export) in 2018.

Total CAN off-take stood at 499 KT, declining around 7.3% from last year's total of 537KT.

In the Phosphate market, local DAP industry off-take dropped by 6% going from 2.38 million MT in 2017 to 2.23 million MT in 2018. The main factors for this drop were the international price hikes for DAP as well as subsidy was not given by the government for the second half of 2018. For Fatima, there was a 8.5% decline in off-take of NP, from 413 KT in 2017 to 378 KT in 2018.

## International Market Overview

### Phosphates

2018 has been a mixed year for phosphates globally. India has been very active for DAP in the import market. In India, the phosphoric acid quarterly contract price between OCP and its customers kept rising through 2018 which resulted in more DAP imports than the year before as it was cheaper to import DAP rather than produce it domestically using phosphoric acid.

In 2018, India bought around 6m tonnes of imported DAP which was 1-1.5m tonnes more than the previous year. This was also the result of low stocks in the country from the year before. Neighbouring Pakistan also saw a bumper year for DAP imports with around 1.8m tonnes arriving at its ports last year.

On the supply side, Chinese producers continued to run their domestic DAP/MAP plants at reduced rates following the government's crackdown on environmental pollution. Production capacity growth has been stable over 2018 and is expected to remain so in the future.

In North Africa, OCP continues to be the biggest supplier in the region. The Moroccan producer is gradually increasing granulation capacity, with new plants even though the production ramp-up has been slower than expected in 2018. OCP also continues to supply Africa with DAP and

different grades of NPK, including the annual Ethiopia import tender. On the other hand, GCT has been plagued by production issues, civil unrest and strikes and its production has been erratic through the year.

Finally, Saudi production has been stable through 2018 with a slower-than-expected ramp up of its capacity. The producer was busy selling to India, Africa, the Americas and southeast Asia last year.

In the Americas, there have been a few changes in the North America supply chain. Mosaic idled its Plant City facility in end 2017, Nutrien decided to convert its Redwater plant in Canada from phosphate to AS in 2019 and also closed its phosphate production facility at Geismar, Louisiana in end 2018. All these developments resulted to a drop in production which was replaced by domestic Mosaic production and imports to Nola.

In Brazil, MAP buyers have been making fewer purchases in 2018 than the year before due to a number of factors that have affected the market, like continuous depreciation, the truck drivers' strike and the uncertainty following last year's presidential elections.

### Urea

2018 was a better year for urea producers compared to the last few years. In the Arab Gulf, prices on an average were \$40/tonne higher in 2018 compared to 2017. Chinese operating rates remained low but export availability saw a big increase in the fourth quarter of 2018. Indian demand has been the major support for the market with 4.2m tonnes imported in April-December 2018. European demand has been disappointing while the Brazilian market was over supplied. The domestic barge market in the US continued to track international movements.

# SUSTAINABILITY OVERVIEW

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

## Sustainability Strategy

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

- a) Ensuring Health, Safety and Environmental protection at its productions facilities, for its employees and for the communities it works and live with;
- b) Ensuring employee safety and welfare at all levels;
- c) Conserve energy 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	2018	2017
<b>Economic</b>			
Total Fertilizer Sales	EC1	1,432 (MT in 000)	1,477 (MT in 000)
Net Profit	EC1	13,272	10,576 (PKR in Million)
Revenue	EC1	45,964	37,612 (PKR in Million)
Contribution to national exchequer		6,563 (PKR in Million)	5,989 (PKR in Million)
<b>Rural development and responsible sourcing</b>			
Farms addressed for capacity building (numbers)		22,818	21,190
<b>Water</b>			
Total water withdrawal (Million m <sup>3</sup> )	EN8	9,266,400	8,372,000
<b>Environmental sustainability</b>			
<b>Materials</b>			
Raw Material used (natural gas) (Metric Tons)	EN1	835,892	713,735
Materials for packaging purposes (Metric Tons)	EN1	4,045	3,920



Key performance indicator	GRI	2018	2017
<b>Energy</b>			
Total direct energy consumption (gigajoules)	EN3	29,360,361	24,796,606
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)
<b>Biodiversity</b>			
Total size of manufacturing sites located in projected areas (hectares) working under clean development mechanism	EC1	947 acres	947 acres
Trees Planted		10,000	8,500
<b>Emissions, Effluents and Waste</b>			
Direct GHG emissions (Metric Tons CO <sub>2</sub> eq), (i.e. Surplus CO <sub>2</sub> from Ammonia Plant + CO <sub>2</sub> emissions from other sources)	EN16	399,948 + 799,642	367,804 + 768,737
Indirect GHG emissions (Million Tons CO <sub>2</sub> eq)	EN16	N/A	N/A
<b>Environmental Sustainability Governance</b>			
<b>Human rights and compliance</b>			
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
<b>Our People</b>			
Total Workforce (number of employees)	LA1	1,025	900
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	70,626	42,377
Female staff at the head office	LA13	67	15

# 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 remained compliant on the following standards in 2018:



- DuPont Process Safety Management Excellence Level-4
- HACCP Food Safety Certification
- ISO/IEC 17025 Accreditation for Laboratory Management System
- IFA Protect and Sustain Stewardship
- Quality Management System (QMS) ISO 9001:2008
- Environmental Management System (EMS) ISO 14001:2004
- Occupational Health and Safety Management Systems OHSAS 18001:2007
- WWF Green Office Program - This aims to reduce our ecological footprint from office buildings. The organization is striving to reduce consumption of its 3 KPIs-Paper, Power & Waste.

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 (EMS), Occupational Health Industrial Hygiene (OHIH), Operational Excellence, 6-sigma and 5-S Certification for Housekeeping.



## QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE) POLICY

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

Fatima is committed to:

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

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

## Global Benchmarking on Systems and Standards

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. 2018 remained a tremendous year in this regard as the Company has successfully retained 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, LTIs, 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.

## Environmental Management System (EMS) - A Step Towards Excellence

Fatima as a socially responsible organization with the aim of achieving excellence launched the Environmental Management System (EMS) in April 2018. The EMS task force team, under the guidance of the Environment Safety Committee, has been formed to execute the strategy to implement the EMS system.

## Working with Partners for Process Safety

Fatima Corporate HSE team and the Center for Chemical Process Safety (CCPS) of the American Institute of Chemical Engineering (AIChE) joined hands and initiated the issuance

of Process Safety Beacon in the Urdu language in 2017 which was continued through 2018. 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 facilitating the diversified community of CCPS where the language is understood.

## Achieving 47 Million Safe Man-hours Milestone

Fatima became the first fertilizer company of Pakistan to successfully achieve 47.09 safe million man-hours. This milestone speaks highly of the dedication of Fatima towards Health, Safety, Environment and translating the Company's values into concrete action.

## “Safar Bakhair” – Traffic Safety Campaign

The Safar Bakhair campaign was launched at Fatima by HSE in May 2018. The objective of this campaign was to improve traffic safety awareness and compliance in the Fatima community and reduce traffic and vehicle incidents within the Fatima Complex will also eventually enhance road safety outside Fatima premises. Different sessions of the campaign were carried out involving school students and township residents. All permanent employees of Fatima were registered after gaining an undertaking/oath from each on Safar-Bakhair. Monitoring and recognition programs were launched resulting in a 50% reduction in traffic related violations at Fatima.

## Smoking Cessation Campaign-Health is Wealth

Fatima strongly believes in improving the health of its employees by discouraging unhealthy activities. Fatima launched the Smoking Cessation Campaign to help and support colleagues who smoke by motivating them to quit smoking. Fatima Smoking Cessation Campaign comprised of the following features:

- Community-Based Programs
- Survey for Smokers & Non Smokers
- Helping Smokers Quit (Cessation)

- School-Based Programs
- Clinical Support through Medical Center
- Monitoring and Evaluation

## “One Person One Plant” – Tree Plantation Drive

A tree plantation campaign by the name “One Person One Plant” (OPOP) was launched with the participation of all employees, families and school children during the monsoon season. Total trees planted in this season were more than 6,500 under the OPOP campaign.

## Save Water - It Matters

The launch of a water saving campaign named “Save Water - It Matters” is being chalked out and following actions have been taken as a part of the first phase:

- 100 nozzles to save water at wash basins of Plant & Masjid installed with optimized flow of 0.5 GPM with net saving 2.5~3 GPM per nozzle.
- For the second phase, 1,600 tabs are on order for installation across township; and awareness stickers will also be pasted for emphasizing the campaign.
- Expected saving is around 19 cubic meter per day.

## Compost Production from Organic Waste of Township

In continuation for efforts on waste reduction, Fatima started an organic waste (e.g. kitchen waste, paper, card board and timber etc.) collection from its residential township and market to produce compost (organic fertilizer) for horticulture.

## Community Awareness & Emergency Response (CAER) Program

The mission of Community Awareness & Emergency Response (CAER) is to foster a collaborative culture through networking, communication and education that results in a higher level of public safety and environmental quality. It 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.

Fatima 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 kids of 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.

## Participation in National and International Forums

### **Massachusetts Institute of Technology (MIT), Cambridge USA: Systems-Theoretic Accident Model and Process (STAMP) Workshop**

Fatima believes in adopting new and better techniques and technologies to improve its business processes. The Corporate HSE & Technical Support Manager presented at the STAMP workshop on implementing this latest and cutting edge model and process in its fertilizer businesses. STAMP is an accident causality model which is better than conventional techniques like Hazard and Operability Study (HAZOP) and Root Cause Analysis (RCA), and is being used widely in the defense, aerospace, aeronautical, transport and medical industries. Fatima aspires to spearhead STAMP's introduction in the process industry.

### **Annual Meeting of Organization for the Prohibition of Chemical Weapons (OPCW)**

Fatima participated in the Chemical Supply Chain Workshop organized by OPCW in Islamabad. The agenda was to enhance collaboration between chemical industries and state parties and to update on implementation of Chemical Weapons Convention (CWC) by state parties.

### **NHA Road Safety Workshop**

Fatima participated in a Road Safety Workshop organized by the National Highway Authority (NHA) in Rahim Yar Khan and delivered a lecture on road safety to the community and officials of the city.

# GROWING PEOPLE GROWING BUSINESS

## Strengthening Talent Base Empower to Lead – MTO & GTE Recruitment Drive 2018

Fatima launched its Empower to Lead (E2L) Program as a targeted strategy to attract top talent and provide leading career and growth opportunities to the youth. Empower to Lead MTO & GTE Recruitment drive is a one year program that targets all high ranked business and engineering schools across Pakistan. The program is designed around systematic cross functional rotations and offers students in-depth functional knowledge, competency development and objective based learning with pre-defined learning outcomes and enables them to grow in today's dynamic world.

### E2L Connect

Another intervention under the Empower to Lead umbrella is E2L Connect. Embarking on our journey towards excellence Fatima arranged a 3-day visit to its state of the art plant site at Sadiqabad for students. Students were engaged through a series of activities including a detailed orientation and a tour of our manufacturing facility providing them with a platform to interact, connect and learn about Fatima. Students from LUMS, LSE, IBA and KSBL have been a part of this program so far.

### E2L Talks

E2L Talks is a forum under the E2L umbrella that allows Fatima leaders to interact with the youth where they share their experience, discuss challenges, and present opportunities in today's business landscape. Fostering a culture of continuous learning, these university speaker sessions allow Fatima leadership to discuss various topics with the students and share their valuable insights. Ten sessions have been conducted so far at the following universities:

- NUST
- LSE
- UET
- NED
- GIKI
- Punjab University

## Learning and Development at Every Level

The development interventions were designed based on Fatima's 3S Leadership Model as shown below:

### Setting the Direction

Develops a clear point of view about the future (Organizational / Functional level) and is able to position organization (function) to create and respond to the future. Test ideas / plans pragmatically against available resources and figure out how to get from present to desired future.

### Synergizing / Taking others Along

Shows eagerness and enthusiasm for being a member of the team; Enjoys participating in team meetings and activities; Capitalize the skills capabilities of employees around him/her to achieve goals and solve problems; Supports team decisions; Motivates and inspire others.

### Sailing in the Right Direction / Doing the Right Thing

Demonstrate Corporate values and openly confronts actions or decisions that do not align with values.

The 3S Leadership Model engages organizational leadership to inspire and motivate the workforce leading to unleashing of potential talents. The program is divided into three categories catering to all levels of employees namely Personal Excellence (Developing Individuals), Team Excellence (Developing Managers) and Developing Leaders (Future Leaders).

## Training Hours

Building on its employee development strategy, Fatima has heavily invested in training and development of its resources. We are dedicated at developing business leaders that can change the landscape by achieving efficiency and accuracy at the workplace. 28,082 training hours have been delivered across the organization on Fatima's 3S Leadership Model, equating 3.6 training days delivered per employee.

# Employee Development Highlights

## 3.6 Training Days delivered Per Employee on Fatima's 3S Leadership Model



**28,084**

Total Training Hours Completed (March- Dec 2018)

Milestone achieved by engaging employees through out the group



### Developing Individuals

For Training and development of employees across the group:

Personal Mastery  
Drive for Results

**18,032** hours



### Developing Managers

To enhance performance of Managers and their teams:

Key Skills for Managers  
Building High Performing Teams  
Managing Diverse Team

**7,832** hours



### Developing Future Leaders

Initiatives taken for development of Fatima Future Leaders:

LUMS MDP  
Harvard Manage Mentor  
Fatima Leadership Academy

**2,220** hours

Well thought out initiatives were taken for the development of Fatima's Future Leaders. Key development interventions included;

## Fatima Leadership Academy

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

- **Leading Self / Personal Proficiency:** focused on enhancing their self-awareness, articulate personal leadership brand and other elements that make them 'fit to lead'
- **Leading Team / Talent Manager and HC Developer:** focused on building high performing teams
- **Leading Organization / Strategist and Executor:** focused on how to identify and align teams, effectively change behaviour, lead organization wide change initiatives and develop agile teams

## LUMS Management Development Program (MDP)

A 10 day learning intervention at LUMS was organized for our future leaders to understand how industry structures work; acquire conceptual skills to understand business functions, understand and harness their leadership capability to lead the organization effectively and gain from networking opportunities with people from diverse backgrounds.

## Harvard Manage Mentor (HMM)

An online, Ivy League Program and learning platform was made available for managers and senior managers across Fatima categorized as

- Managing self
- Managing people
- Managing organization

Participants had to complete 20 modules over a period of one year.

## Development Need Analysis

Fatima conducted its first ever fully automated Development Need Analysis (DNA) in 2018. The DNA Framework is a comprehensive model that takes into account individual, functional and organizational training needs. It was used as a systematic model to identify development needs across Fatima and focused on employee development and growth. It will help us develop our resources for leadership roles as per the 3S Leadership Model.

## Value & Behaviour Refresher

Values are the fundamental ingredient of success for any individual or organization. Value inculcation also enables employees to grow and advance in their careers. Fatima as a progressive organization believes in creating value for its employees, customers, investors and other stakeholders by shaping a value driven culture. Therefore, instilling values through different interventions has remained our top most priority over the last year. Capitalizing on our efforts to create Fatima values based culture, value & behaviour

refresher sessions were successfully conducted across the entire fertilizer business (covering 1000+ employees across the organization). The sessions comprised of a brief overview of the company's 7 values followed by fun and engaging activities for the employees.

## Strategy 2k25

Strategy 2K25 is Fatima structured approach to developing a competitive business strategy for the next 7 years to sustain existing business and secure future business growth. It is a reflection of our commitment to continue leveraging Fatima strengths and to become a future fit organization.

## Connecting to Engage

Human resources are an organization's biggest assets as it focuses on innovation and excellence. How each individual engages at work is of critical importance to the success of the business. In 2018, the Fatima HR function took a focused step towards ensuring an increase in employee engagement and its close alignment to business goals and needs.

# GENDER DIVERSITY & INCLUSION

Women are roughly half of Asia's population, hence, successful broad-based growth in the region must substantially engage women, directly or indirectly. This fact, though obvious, nevertheless often seems to be forgotten, ignored, or downplayed. Understanding the importance of women in the workforce for the economic empowerment of the country, Fatima made a conscious decision of promoting women in business.



## Women Career Advancement

Corporate Pakistan has experienced an increasing influx of women in the workforce. With more women entering various diverse fields, organizations' agility is put to the test. Fatima in recent years has seen more women entering engineering and other challenging roles.

In 2018, we have made deliberate efforts to put "Gender in Organization" into focus and bring out the best in every woman working at Fatima. By conducting an organization wide study, a comprehensive plan has been put together under the company's diversity and inclusion efforts. "I Am Fatima" will focus on capability enhancement of women at work and in personal life. These efforts will be then reflected externally by engaging women from marginalized communities and ensuring they are able to advance.

Fatima's leadership team is taking necessary actions to ensure they are seen in a lead role by hiring the group's first ever female Director and taking its first Non-Executive / Independent Director on board. This coupled with our succession planning and intensive employee development program is enabling our female workforce to break the glass ceiling one step at a time.



## Celebrating Women through Cultural Intervention

We at Fatima believe that celebrating women is as important as nurturing them. This is an intrinsic incentive that pushes an employee to go an extra mile or achieve the impossible. Our 2018 engagement and cultural initiatives focused on celebrations in the work environment.

Instead of a one day celebration of Women's Day, our celebrations extended all week with Women's Week. Women were surprised with gift hampers, scrumptious breakfasts and breakout sessions.

Paying tribute to working mothers, our Mothers' Day campaign went digitally viral as employees gave a heartfelt tribute to mothers and shared their favorite moments through a picture.

Fatima also teamed up with Shaukat Khanum Memorial Hospital for a Breast Cancer Awareness campaign. The group wide awareness sessions diverted women's attention toward putting their health first to deliver their best at work and at home.





## Girl Child Education

Fatima's vision drives it towards sustainable initiatives in the health and education sector. As we achieve excellence in our business, we are also investing in the future of the country.

Education of girls is on high priority in our mandate. Fatima's contribution towards girls' education is reflected in the following numbers.

156 female students are gaining primary education through The Citizen's Foundation in Sheikhpura, Rahim Yar Khan and Gujrat. Simultaneously, our CSR program supports the funding of 3 Care Foundation Schools for girls in Sadiqabad and Sargodha Districts.

## Empowering Women with Skills

Fatima is equipping men and women with equal opportunities in all domains. The same is true for our Vocational Training Center in Sadiqabad. The training center offers courses ranging from embroidery to stitching. These girls are trained rigorously from six to ten months in their selected areas of skills and go through challenging assignments and an examination process to complete their certification.

Since its inception in 2014, Fatima Vocational Training Center has successfully trained over 100 women. We are also proud of our trainees who have been able to start earning their own livelihood and are contributing in economic activities.

## Women Behind the Wheel – Testimonials

### Faiza Naveed – Budgeting & Reporting

"I've been part of the Fatima Family while working in the finance department for six years now. During the course of these 6 years, I have had some highly challenging assignments that have pushed me to my limits. To say that it has been a roller coaster ride would be an understatement. But the entire experience has helped me immensely to develop as a professional as Fatima's employee focused culture ensured I never stopped growing. After graduating from LUMS, I joined Fatima's MTO Program that opened doors of opportunities to grow, learn, be myself, and prove what I was capable of."

### Aqsa Aslam – Senior Process Engineer

"I started my journey with Fatimafert Limited (formerly DH Fertilizers Limited) in 2008 as a graduate trainee engineer. I have performed in various roles including Urea Process Engineer, Energy conservation engineer, Utility process engineer and as a process design engineer. In 2010, I authored a paper on "Energy conservation activities by DH Fertilizers Limited, which was later presented at the ARL conference. I have also successfully worked on projects such as modifications like installation of new gas turbine and HRSG, instrument air system modifications at Fatimafert site. As I look back at my career graph, nothing makes me more proud than the learnings and progression opportunities I have had at Fatima".

# CORPORATE RESPONSIBILITY & SUSTAINABILITY INITIATIVES

**Fatima businesses are uplifting the communities they operate in.**

Our Corporate Social Responsibility (CSR) agenda is to strengthen the backbone of these communities by ensuring education and healthcare facilities for all. With more than PKR 700 Million spent on charitable donations in health and education, Fatima is redefining philanthropy entirely. In 2019, we are expecting to cross our spending from last year.





## Spring Psychiatric Clinic - Multan

Spring Psychiatric Clinic's foundations were laid in 2016. Spring is a one its kind facility in Multan, dedicated to promoting mental health by playing an active role in mental health advocacy. Spring, since its inception, has been determined in breaking the taboos related to mental health care in the region by providing evidence based and patient centered mental health care in accordance with the socio-cultural context of the region. The hospital's team is dedicated to addressing the stigma associated with mental disorders and to promoting rehabilitation of patients suffering from these disorders.

The experts at Spring Clinic successfully treated more than 2,000 cases in 2017 with more than 70% patients under the clinic's CSR.

## Mukhtar A. Sheikh Hospital

Mukhtar A. Sheikh hospital will open its doors to general public in November 2018.

Built under the Mukhtar A. Trust, the hospital will eventually include 200 beds and a state-of- the-art healthcare facility, providing assessment and treatment of common and

complex medical conditions. To show Fatima 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).

## Trust Hospital - Rahim Yar Khan

Constructed a few miles away from the Sadiqabad Fertilizer Plant, the Trust Hospital is the result of Fatima's CSR contribution. Spread over 4 acres of land, this facility is designed as the Emergency Response for snake bite and dog bite victims in the area. These have been a serious concern for the local villages for some time. The facility is also being equipped to treat Hepatitis patients, free of cost. With a cost of PKR 415 Million, the Trust Hospital will open its doors to the public in January 2019.

## Welfare Medical Dispensary & Camps

Dedicated medical camps treated more than 7,000 dog bite, hepatitis and other patients in Sadiqabad and surrounding regions alone. The uncontrollable dog population and impure drinking water have been the



community's biggest challenges for many years. Fatima continues to play its role in ensuring the wellbeing of the community it operates in.

## Fatima Mobile Clinic

Our biggest achievement in the year 2017 was the launch of the "Fatima Mobile Clinic". By providing healthcare services to the areas where all other healthcare systems have failed to operate or even reach, Fatima Mobile Clinic provides door to door medical services to far flung villages.

This gesture from Fatima is winning hearts and creating health awareness as it crosses paths with those who need the most medical help.

## NCHD - Pehla Qadam School

Fatima adopted the NCHD School in 2013. Situated in the heart of Sadiqabad, the school faced critical financial problems. Fatima management aligned to the group vision of education, and ensured that the community benefits through education. The fund is used for school operations which includes teachers' salaries, building rent, power utilization and other teaching support under the Fatima Welfare fund.

To ensure success and transparency, the operations and progress of the school is closely monitored by the organization's CSR team.



## Fatima Vocational Training Centre

Fatima Vocational Training Centre – Sadiqabad a project of Fatima Welfare Committee, operating since 2014, saw the graduation of its seventh batch of female vocational training students in November 2018. The 10 month course included rigorous training on tailoring, embroidery and other skills to empower the young women in surrounding villages.

The exceptional young girls in the center are provided with sewing machines, aiding in jumpstarting their professional careers.

## Pakarab Technical Training Institute (PATTI)

As part of its effort to help the community, Pakarab Fertilizers Limited (PFL) engaged with Hunar Foundation, Karachi to build a technical school for the local population within PFL premises. The school's charter and syllabus is certified by City & Guild UK / TEVTA and NEVTEC. PATTI has taken a step ahead by providing free course material and uniforms, along with full scholarships to 35% of the students. Resourceful electrical and mechanical workshops have been established at the facility. Phase-II includes construction of an admin block, canteen, masjid and four new workshops and short courses on AC repair, refrigeration, welding and bike repair will be introduced. In Phase III, a new block will be constructed and two other courses will be added.

## Shaukat Khanum Memorial Cancer Hospital (SKMCH)

In its continued support to fight against cancer, Fatima generously donated to the construction of the SKMCH Peshawar campus. The Peshawar facility will cater to the largest and most vulnerable population of Khyber Pakhtun Khawa.

## Lahore Hospital Welfare Society

Fatima regularly donates to the Lahore Hospital Welfare Society in order to ensure that they continue to provide quality healthcare to the underprivileged in Punjab.

## The Citizens Foundation Schools

In the previous year, Fatima adopted two girls' campuses worth PKR 3.6 Million in collaboration with The Citizens Foundation (TCF). This brought the TCF adopted schools to a total of four campuses across Punjab. Fatima aids in these units' Capex while providing other operational support. These schools are in addition to the TCF educational units that Fatima has taken on board which includes co-ed systems. In total, we are sponsoring the education of 400 students in TCF facilities alone.

## Lahore University of Management Sciences (LUMS)

The National Outreach Program (NOP) by LUMS is an effort to ensure quality graduate studies to talented deserving students. Through this program, thousands of young minds are exposed to international standard education in the disciplines of business, engineering and law.

Fatima through LUMS sponsors 16 students for their full-term education of 4 years at a cost of PKR 1.4 Million per student. These students are called Fatima scholars. All Fatima scholars are provided extra exposure to the corporate culture by regular engagements through internships and academic research.

## Institute of Business Administration (IBA), Karachi

IBA is one of the most prestigious educational institutes in Sindh. The university is known for its quality education, excellent faculty and research methodologies. Under a CSR contract, Fatima has paid IBA PKR 10 Million as an endowment for the sponsorship and support of education of underprivileged students from the province of Sindh. The Company continues its support in the field of education by designing special internship programs for Fatima Scholars at IBA.

## University of Engineering & Technology, Lahore (UET)

UET is one of the oldest and most prestigious engineering institutions of Pakistan. Known for its high quality engineering studies, the school sponsors the education of many aspiring engineering from across the country.

15 Fatima Scholars graduate every year from UET after completing their four years' degree in various engineering disciplines. Fatima bears the complete responsibility of their education including their monthly stipends.

## Namal College

Fatima believes in provision of quality education for the country's citizens. While we have independent and self-sustainable education projects, we also partner with leading charitable educational institutes to ensure this objective is achieved.

In 2018, Fatima continued to support its Fatima Scholars throughout their 4 years' degree program at Namal College.

## CARE Foundation

Fatima has been providing its support to CARE Foundation since 2013. It sponsors a total of 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
4. Govt. Boys Primary School Chak No. 29 NP
5. Govt. Girls Primary School Mir Ahmed Shergarh
6. Govt. High School Mir Ahmed Shergarh

The salaries of the entire staff of all six schools are funded by Fatima. With the help of Fatima's generous support, CARE has managed to construct 15 classrooms in these schools. Furthermore, Fatima has equipped the classrooms with furniture for about 1,500 CARE students and provided stationery as well.

## Progressive Education Network (PEN)

The Progressive Education Network (PEN) 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 donated PKR 2 Million in 2018 to PEN to ensure that they continue to deliver education to the financially underprivileged in Pakistan.

## 603 EME Workshop School

The 603 EME Workshop School is an initiative of Pakistan Rangers to provide quality education at minimal cost. Recently Fatima sponsored construction of 5 classrooms to help facilitate their pupils and continue with its mission for an educated country.

## Employee Volunteer Programs (EVP)

Fatima management realizing the value of not just financial giving but also service to the community introduced its "Employee Volunteer Program" in 2017. The program encourages employees to spend time and effort in community development by affiliating with various local organizations and Fatima driven initiatives.

## Fatima Tree Plantation – Let The Green Be Seen Campaign

Fatima decided to become part of tree plantation initiatives. Through a custom campaign, "Let the Green Be Seen", Fatima volunteers vowed to plant ten thousand trees at the manufacturing facilities. The target was achieved in October 2018 when our manufacturing site in Sadiqabad planted the last of the ten thousand trees. Under the campaign, the Sheikhpura, Multan and Sadiqabad plant-sites were covered.

## Eid Giveaways - SOS Village

SOS Villages are changing the lives of orphan children across the globe. SOS Villages Pakistan, are no exception. Fatima volunteers raised over PKR 100,000 to spread happiness with these kids on the occasion of Eid.

A group of volunteers, along with Fatima leadership, joined the children of SOS Village, to be part of the festivities.

## TCF Rahbar Program

TCF Rahbar is one of the flagship mentorship programs by The Citizen's Foundation. Fatima volunteers are engaged in this rigorous six week activity to help nurture underprivileged children at TCF schools across Lahore.



## Beat Plastic Pollution Campaign

Fatima volunteers gathered on World Environment Day to help spread awareness about plastic pollution. Under the international theme for the year, a comprehensive community engagement activity was planned by the volunteers and Fatima community schools.

The campaign included pollution awareness talks; encouraged the use of bicycles at township and distribution of paper bags to the shopkeepers at all Fatima residential sites.

## SAR School

The SAR School is situated in the neighboring area of Fatima head office. This facility provides education to the kids of white collar families in the community. Fatima volunteers planned a day long activity spreading awareness about hygiene and healthy eating habits. Volunteers also distributed goodies amongst the students worth PKR 50,000/-

## A Day at SKMH

Fatima volunteers spent a day with children fighting cancer to bring smiles to their faces and to share their pain. These kids were greeted by Fatima volunteers with enthusiasm and some exciting gifts worth PKR 50,000/- The gifts were customized according to gender and age. Fatima volunteers played with, and praised the children for their courage.

## Edhi Home

In an effort to pay tribute to the philanthropic icon Mr. Abdul Sattar Edhi, Fatima volunteers decided to play their role in his noble cause. The volunteers spent time at Edhi Homes and took winter supplies including quilts, food packs, toys for children and clothes for adults.

# OUR REPORTING PARAMETERS

This report contains the Directors' report to shareholders along with the audited financial statements as per the statutory 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, 2018 to December 31, 2018 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](mailto:sustainability.reporting@fatima-group.com) and [communications@fatima-group.com](mailto:communications@fatima-group.com)



# SEPARATE FINANCIAL STATEMENTS

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# 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 2018, and reports that:

- The Company has issued a “Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017” 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, 2018, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- The Directors’ Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
- The Chief Executive and the CFO have reviewed the financial statements of the Company and the Directors’ Report.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017. The financial statements

comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- Directors, CEO and executives or their spouses do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

### INTERNAL AUDIT

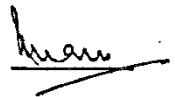
- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.
- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board’s attention where required.
- The Company’s system of internal control is adequate and effective. The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company’s objectives, including a reliable financial reporting system and compliance with laws and regulations.

## EXTERNAL AUDITORS

- The statutory Auditors of the Company, Deloitte Yousuf Adil, Chartered Accountants have completed their Audit assignment of the “Company’s Financial Statements” and the “Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017” for the financial year ended December 31, 2018 and shall retire on the conclusion of the 16<sup>th</sup> 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 16<sup>th</sup> Annual General Meeting scheduled for April 30, 2019 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, 2019.
- The Firm has no financial or other relationship of any kind with the Company except that of External Auditors.

For and on behalf of Audit Committee



Lahore  
March 29, 2019

M. Abad Khan  
Member-Audit Committee

# STATEMENT OF COMPLIANCE

## with Listed Companies (Code of Corporate Governance) Regulations, 2017

### For the year ended December 31, 2018

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

1. The total number of directors are 8 as per the following:
  - a. Male: 7 members
  - b. Female: 1 member
2. The composition of Board of Directors (the Board) is as follows:

Category	Names
a) Independent Director	Ms. Anja Elisabeth Nielsen
b) Other Non-executive Directors	Mr. Arif Habib Mr. Faisal Ahmed Mukhtar Mr. Muhammad Kashif Habib Mr. M. Abad Khan Mr. Tariq Jamali-Nominee NBP
c) Executive Directors	Mr. Fawad Ahmed Mukhtar Mr. Fazal Ahmed Sheikh

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Three directors of the Company have completed formal Directors Training Program ("DTP") whereas four directors fall under exemption from the mandatory requirement for acquiring DTP certification. For the remaining one director -Mr. Tariq Jamali, training has been scheduled accordingly and is in process.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There is no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

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

**a) Audit Committee**

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

**b) HR and Remuneration Committee**

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

13. The terms of reference of the audit committee and HR and Remuneration Committee have been formed, documented and advised to the committee for compliance.

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

**a) Audit Committee**

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

**b) HR and Remuneration Committee**

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

15. The Board has set up an effective internal audit function.

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

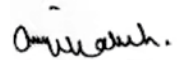
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Place: Lahore  
March 29, 2019



Fawad Ahmed Mukhtar  
CEO



Arif Habib  
Chairman

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

On The Statement Of Compliance Contained In Listed Companies  
(Code Of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Fatima Fertilizer Company Limited** (the Company) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

*Deloitte Young & Rubicam*

Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Date: March 29, 2019

Lahore

# INDEPENDENT AUDITOR'S REPORT

To the members of Fatima Fertilizer Company Limited

## Report on the Audit of Financial Statements

### Opinion

We have audited the annexed financial statements of Fatima Fertilizer Company Limited (the Company), which comprise of statement of financial position as at December 31, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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

Following is the key matter:

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue Recognition</b></p> <p>The Company's sales comprise of revenue from the sale of fertilizer and mid products which has been disclosed in note 24 to the financial statements.</p> <p>Revenue from the sale is recognized, when significant risks and rewards of ownership are transferred to the customer i.e. on dispatch of goods and transfer of risk and rewards of ownership (note 4.20).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"><li>- Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue;</li><li>- Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li><li>- Checking on a sample basis whether the recorded sales transactions are based on dispatch of goods;</li><li>- Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.</li></ul>

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

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

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

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

## Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's management.



- Conclude on the appropriateness of the Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

*Deloitte Young & Rubicam*  
Chartered Accountants

Date: March 29, 2019

Lahore

# STATEMENT OF FINANCIAL POSITION

as at December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized share capital 2,500,000,000 (2017: 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 (2017: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	41,261,314	32,741,792
		62,261,314	53,741,792
<b>NON CURRENT LIABILITIES</b>			
Long term finances	7	6,887,911	10,774,286
Deferred liabilities	8	15,807,481	15,763,775
Long term deposits		49,006	51,269
		22,744,398	26,589,330
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	13,688,406	11,434,990
Accrued finance cost	10	224,119	167,823
Short term finances - secured	11	4,821,661	1,725,938
Unclaimed dividend		68,832	24,556
Current maturity of long term finances	7	6,142,276	5,652,048
		24,945,294	19,005,355
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	12		
		109,951,006	99,336,477

The annexed explanatory notes from 1 to 44 form an integral part of these financial statements.

	Note	2018 (Rupees in thousand)	2017
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	78,261,964	72,989,957
Intangible assets	14	78,653	38,196
		78,340,617	73,028,153
Long term investments	15	2,240,360	2,238,400
Long term loan to associated company	16	1,999,333	2,999,000
Long term deposits		254,294	114,217
		82,834,604	78,379,770
<b>CURRENT ASSETS</b>			
Stores and spares	17	5,058,691	4,745,061
Stock in trade	18	5,028,170	3,813,626
Trade debts	19	2,397,405	1,796,351
Short term loans	20	6,072,923	3,966,888
Advances, deposits, prepayments and other receivables	21	7,398,286	5,626,723
Short term investments	22	623,273	198,113
Cash and bank balances	23	537,654	809,945
		27,116,402	20,956,707
		109,951,006	99,336,477



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

# STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
Sales	24	45,963,819	37,611,818
Cost of sales	25	(19,482,553)	(17,275,276)
<b>Gross profit</b>		26,481,266	20,336,542
Distribution cost	26	(3,629,719)	(3,481,882)
Administrative expenses	27	(2,097,940)	(1,533,619)
		20,753,607	15,321,041
Finance cost	28	(1,450,128)	(2,198,268)
Other operating expenses	29	(1,708,296)	(913,370)
		17,595,183	12,209,403
Other income	30	915,440	526,866
<b>Profit before tax</b>		18,510,623	12,736,269
Taxation	31	(5,238,231)	(2,160,256)
<b>Profit for the year</b>		13,272,392	10,576,013
<b>Earnings per share - basic and diluted (Rupees)</b>	33	6.32	5.04

The annexed explanatory notes from 1 to 44 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, 2018

	2018	2017
	(Rupees in thousand)	
Profit for the year	13,272,392	10,576,013
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Deficit on remeasurement of investments - available for sale	(4,106)	(2,267)
Related tax thereon	1,192	685
	(2,914)	(1,582)
<b>Items that may not be reclassified subsequently to profit or loss:</b>		
Remeasurement of post retirement benefits obligation	(32,193)	(8,608)
Related tax thereon	7,237	1,953
	(24,956)	(6,655)
Other Comprehensive Income - net of tax	(27,870)	(8,237)
<b>Total comprehensive income for the year</b>	<b>13,244,522</b>	<b>10,567,776</b>

The annexed explanatory notes from 1 to 44 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, 2018

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Surplus / (deficit) on remeasurement of investment available for sale	Total
		Share premium	Unappropriated profit			
(Rupees in thousand)						
<b>Balance at December 31, 2016</b>	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)
<b>Balance at December 31, 2017</b>	21,000,000	1,790,000	31,002,102	(49,073)	(1,237)	53,741,792
Profit for the year	-	-	13,272,392	-	-	13,272,392
Other comprehensive income:						
Remeasurement of post retirement benefits obligation - net of tax	-	-	-	(24,956)	-	(24,956)
Deficit on remeasurement of investments available for sale - net of tax	-	-	-	-	(2,914)	(2,914)
Total comprehensive income	-	-	13,272,392	(24,956)	(2,914)	13,244,522
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	-	-	(4,725,000)	-	-	(4,725,000)
<b>Balance at December 31, 2018</b>	21,000,000	1,790,000	39,549,494	(74,029)	(4,151)	62,261,314

The annexed explanatory notes from 1 to 44 form an integral part of these financial statements.



**Chief Executive Officer**



**Director**



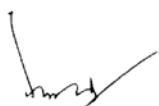
**Chief Financial Officer**

# STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	21,020,121	20,894,908
Net (decrease) / increase in long term deposits		(2,263)	502
Finance cost paid		(1,393,832)	(2,289,865)
Taxes paid		(3,889,015)	(1,794,867)
Employee retirement benefits paid		(26,797)	(56,686)
<b>Net cash from operating activities</b>		<b>15,708,214</b>	<b>16,753,992</b>
<b>Cash flows from investing activities</b>			
Additions in property, plant and equipment		(8,559,918)	(1,877,300)
Additions in intangible assets		(57,655)	(29,383)
Proceeds from disposal of property, plant and equipment		800	2,083
Long term investments		(1,960)	–
Short term loans		(2,106,035)	(1,518,000)
Short term investment made		(471,216)	–
Proceeds from short term investment		80	80
Profit received on short term loan and saving accounts		691,913	458,632
Net (increase) / decrease in long term deposits		(140,077)	15,645
<b>Net cash used in investing activities</b>		<b>(10,644,068)</b>	<b>(2,948,243)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances	7.1	(5,907,718)	(5,518,025)
Proceeds from long term finances	7.1	2,156,282	–
Dividend paid		(4,680,724)	(4,199,594)
Repayment of oversubscribed Sukuks		–	(8,092,675)
Increase / (Decrease) in short term finances - net		3,095,723	(6,285,394)
<b>Net cash used in financing activities</b>		<b>(5,336,437)</b>	<b>(24,095,688)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(272,291)</b>	<b>(10,289,939)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>809,945</b>	<b>11,099,884</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>537,654</b>	<b>809,945</b>

The annexed explanatory notes from 1 to 44 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, 2018

## 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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange.

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

These financial statements are the separate financial statements of the Company in which investments in subsidiary company and associate are accounted for on the basis of actual cost incurred to acquire subsidiary or associates rather than on the basis of reported results. Consolidated financial statements are prepared separately.

## 2 Basis of preparation

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

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

The Act has brought certain changes with regard to preparation and presentation of these financial statements. These changes include change in nomenclature of these financial statements. The Act has also changed the disclosure requirements including, but not limited to, particulars of immovable assets of the Company, management's assessment of sufficiency of tax provision, change in the threshold for identification of executives and additional disclosure requirements for related parties. Accordingly corresponding figures have been updated, where required.

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2018

The following standards, amendments and interpretations are effective for the year ended December 31, 2018. 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 IFRS 2 - 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions. Effective from accounting period beginning on or after January 01, 2018.
- Amendments to IAS 40 - 'Investment Property': Clarification on transfers of property to or from investment property. Effective from accounting period beginning on or after January 01, 2018.
- IFRIC 22 - 'Foreign Currency Transactions and Advance Consideration'. Provides guidance on transactions where consideration against non monetary prepaid asset / deferred income is denominated in foreign currency. Effective from accounting period beginning on or after January 01, 2018.

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



## 2.2.1 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:

	<b>Effective from accounting period</b>
– 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
– IFRS 16 - 'Leases'.	January 1, 2019
– Amendments to IFRS 9 - 'Financial Instruments': Prepayment features with negative compensation.	January 1, 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 1, 2019
– Amendments to IAS 19 - 'Employee Benefits': Plan amendment, curtailment or settlement.	January 1, 2019
– IFRIC 23 - 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 - 'Income Taxes'.	January 1, 2019
– Annual improvements to IFRS Standards 2015-2017 cycle addressing amendments to:	January 1, 2019
IFRS 3 - 'Business Combinations'; IFRS 11 - 'Joint Arrangements'; IAS 12 - 'Income Taxes'; and IAS 23 - 'Borrowing Costs'.	
– Amendments to References to the Conceptual Framework in IFRS Standards.	January 1, 2020
– Amendments to IFRS 3 - 'Business Combinations' Amendment in the definition of business'.	January 1, 2020
– Amendments to IAS 1 - 'Presentation of Financial Statements' and IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards.	January 1, 2020

**2.2.2** 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 17 – 'Insurance Contracts'

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 3 Basis of measurement

### 3.1 Accounting convention

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

### 3.2 Critical accounting estimates and judgments

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

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

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

#### a) Employee retirement benefits

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

#### 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.

### 3.3 Change in accounting estimate

During the year the Company recognized 'Catalysts' as a separate category in its fixed assets register and reclassified Rs 2,318.189 million from 'Plant and machinery' into this category. The change has been accounted for as a change in 'estimates' in accordance with IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. As a result of the change the Depreciation charged to statement of profit or loss for the current year is higher by Rs 1,349.352 million.

## 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 reporting date. Deferred tax is charged or credited in the Statement of Profit or Loss, except in the case of items credited or charged to equity in which case it is included in equity.

## **4.2 Employee retirement benefits**

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

### **a) Defined benefit plan - Gratuity**

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

The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2018. Projected unit credit method is used for valuation of the scheme.

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

### **b) Accumulating compensated absences**

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

### **c) Defined contribution plan - Provident fund**

The Company operates provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees 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 statement of profit or loss on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 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 asset's residual values and useful lives are reviewed, at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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

#### 4.4 Capital work in progress

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

#### 4.5 Intangible assets

##### Computer software

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

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

#### 4.6 Leases

The Company is the lessee.

##### Operating leases

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

#### 4.7 Investments

Investments intended to be held for less than twelve months from the reporting 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. All the investments made in associated companies is in compliance with Companies Act, 2017.

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 statement of profit or loss.

Financial instruments carried on the statement of financial position 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 statement of profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

#### **4.13 Cash and cash equivalents**

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

#### **4.14 Borrowings**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 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 reporting date and adjusted to reflect the current best estimate.

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

## 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 statement of profit or loss.

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

## 4.19 Impairment

### Financial assets

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

### 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 purpose 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 reporting date.

Foreign exchange gain and losses on retranslation are recognized in the statement of profit or loss.

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

#### **4.22 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 statement of profit or loss in the period in which they are incurred.

#### **4.23 Dividend**

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

#### **4.24 Earning per share**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 5 Issued, subscribed and paid up share capital

2018		2017	
(Number of shares)		(Rupees in thousand)	
2,000,000,000	2,000,000,000	20,000,000	20,000,000
100,000,000	100,000,000	1,000,000	1,000,000
2,100,000,000	2,100,000,000	21,000,000	21,000,000

		2018	2017
		(Number of Share)	
<b>5.1</b>	<b>Ordinary shares of the Company held by associates at year end are as follows:</b>		
	Arif Habib Corporation Limited	319,000,206	319,000,206
	Fatima Holding Limited	481,290,785	480,290,785
	Fazal Cloth Mills Limited	69,114,031	69,514,031
	Reliance Weaving Mills Limited	2,625,166	2,625,166
	Arif Habib Equity (Pvt) Limited	54,409,500	54,409,500
		926,439,688	925,839,688

		2018	2017
		(Rupees in thousand)	
<b>6</b>	<b>Reserves</b>		
	<b>Capital reserve:</b>		
	Share premium	1,790,000	1,790,000
	<b>Revenue reserve:</b>		
	Unappropriated profit	39,549,494	31,002,102
	Post retirement benefit obligation reserve	(74,029)	(49,073)
	Deficit on remeasurement of investments available for sale	(4,151)	(1,237)
		41,261,314	32,741,792
<b>7</b>	<b>Long term finances</b>		
	Rated, listed and secured Ijarah Sukuk Certificates	6,300,000	8,400,000
	Secured loans from banking companies / financial institutions	6,730,187	8,026,334
		13,030,187	16,426,334
	Less: Current portion	6,142,276	5,652,048
		6,887,911	10,774,286



	2018	2017
	(Rupees in thousand)	
<b>7.1 Movement of long term finances</b>		
Opening balance	16,426,334	21,860,759
Disbursements	2,156,282	–
Repayments	(5,907,718)	(5,518,025)
Exchange loss on translation of foreign currency loan	355,289	83,600
Closing balance	13,030,187	16,426,334
<b>7.2 Rated, listed and secured Ijarah Sukuk Certificates</b>		
Opening balance	8,400,000	10,500,000
Less: Repayments during the year	2,100,000	2,100,000
	6,300,000	8,400,000
Less: Current portion	2,100,000	2,100,000
	4,200,000	6,300,000

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 7.28% to 11.02% (2017: 7.20% to 7.28%) per annum.

The Sukuks are secured by pari passu charge over all present and future fixed assets of the Company. The credit rating of the Sukuks has been maintained at 'AA-' (Double A Minus) by PACRA on November 01, 2018.

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	2018	2017
		(Rupees in thousand)	
<b>7.3 Secured loans from banking companies/ financial institutions</b>			
Syndicated Term Finance Agreement - III (STFA - III)	7.3.1	691,667	1,530,667
Syndicated Term Finance Agreement - IV (STFA - IV)	7.3.2	1,500,000	3,000,000
Export Credit Agency Finance	7.3.3	1,457,238	1,620,667
HBL Term Loan	7.3.4	1,125,000	1,875,000
ABL Term Loan	7.3.5	800,000	–
BAHL Term Loan	7.3.6	1,156,282	–
		6,730,187	8,026,334
Less: Current portion		4,042,276	3,552,048
		2,687,911	4,474,286

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 7.3.1 Syndicated Term Finance Agreement - III (STFA - III)

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

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.17% to 11.72% (2017: 7.05% to 7.21%) 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 (2017: Rs 839 million).

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

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

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.19% to 10.93% (2017: 7.11% to 7.19%) 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. Last repayment is due on November 23, 2019. During the year the Company has paid installments aggregating to Rs 1,500 million (2017: Nil).

## 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 Cold Box Purifier 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 5.84% to 7.04% (2017: 5.21% to 5.84%) per annum .

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

This loan is repayable in twenty one equal quarterly installments with grace period of one year. Last repayment is due on June 15, 2021. During the year the Company has paid installments aggregating to USD 4.190 million (2017: USD 4.190 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 7.46% to 11.97% (2017: 7.40% to 7.46%) per annum.

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

The loan is repayable in four years in eight half yearly installments. Last repayment is due on June 30, 2020. During the year the Company has paid installments amount aggregating to Rs 750 million (2017: Rs 750 million).

#### 7.3.5 ABL Term Loan

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

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

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

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

#### 7.3.6 Bahl Term Loan

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

The facility carries markup at the rate of 6 months KIBOR plus 1.10% per annum. The effective rate of markup charged during the year is 10.70%.

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

The loan is repayable in three years in six semi annual equal installments starting from October 29, 2019. Last repayment is due on April 29, 2022.

7.4 The aggregate unavailed long term financing facilities amount to Rs 143.718 Million (2017: Rs Nil).

	Note	2018 (Rupees in thousand)	2017
<b>8</b>			
<b>Deferred liabilities</b>			
Deferred taxation	8.1	15,163,271	15,246,794
Employee retirement benefits	8.2	644,210	516,981
		15,807,481	15,763,775

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 8.1 Deferred taxation

	2018			At December 31, 2018
	At December 31, 2017	Charged / (credited) to		
		Profit or loss	Other comprehensive income	
	(Rupees in thousand)			
<b>Deferred tax liabilities:</b>				
Accelerated tax depreciation	15,319,359	(126,371)	–	15,192,988
Short term investment - available for sale	(530)	–	(1,173)	(1,703)
	15,318,829	(126,371)	(1,173)	15,191,285
<b>Deferred tax asset:</b>				
Provision for retirement benefits	(50,541)	50,541	–	–
Remeasurement of defined benefit obligation	(21,494)	–	(6,520)	(28,014)
	(72,035)	50,541	(6,520)	(28,014)
	15,246,794	(75,830)	(7,693)	15,163,271

	2017			At December 31, 2017
	At December 31, 2016	Charged / (credited) to		
		Profit or loss	Other comprehensive income	
	(Rupees in thousand)			
<b>Deferred tax liabilities:</b>				
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
<b>Deferred tax asset:</b>				
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

	Note	2018	2017
		(Rupees in thousand)	
<b>8.2 Employee retirement benefits</b>			
Gratuity	8.2.1	449,612	348,551
Accumulating compensated absences	8.2.2	194,598	168,430
		644,210	516,981

	2018	2017
	(Rupees in thousand)	
<b>8.2.1 Gratuity</b>		
<b>a) Amount recognized in the statement of financial position</b>		
Present value of defined benefit obligation	449,612	348,551
Net liability at the end of the year	449,612	348,551
<b>b) Movement in liability</b>		
Net liability at the beginning of the year	348,551	304,348
Charge for the year	86,072	75,963
Benefits paid during the year	(17,204)	(40,368)
Remeasurement changes chargeable to other comprehensive income	32,193	8,608
Net liability at the end of the year	449,612	348,551
<b>c) Charge for the year</b>		
Current service cost	56,742	53,274
Liability transferred from associated company	2,232	–
Interest cost	27,098	22,689
	86,072	75,963
<b>d) Charge for the year has been allocated as follows:</b>		
Cost of sales	66,207	59,642
Administrative expenses	19,865	16,321
	86,072	75,963
<b>e) Total remeasurement chargeable to other comprehensive income</b>		
Remeasurement of plan obligation:		
Actuarial gains from changes in financial assumptions	5,816	–
Experience adjustments	26,377	8,608
	32,193	8,608
<b>f) Movement in the present value of defined benefit obligations</b>		
Defined benefit obligations at beginning of the year	348,551	304,348
Current service cost	56,742	53,274
Interest cost	27,098	22,689
Liability transferred from associated company	2,232	–
Benefit paid during the year	(17,204)	(40,368)
Remeasurement of plan obligation	32,193	8,608
Defined benefit obligations at end of the year	449,612	348,551

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

		2018	2017
<b>g) The principal assumptions used in the actuarial valuation are as follows: -</b>			
Discount rate for interest cost		8.00%	8.00%
Discount rate for year end obligation		13.25%	8.00%
Salary increase used for year end obligation		13.25%	8.00%
Retirement assumption		60 years	60 years
	<b>Impact on defined benefit obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	% age	(Rupees in thousand)	
<b>h) Sensitivity analysis</b>			
Discount rate	1%	(36,568)	39,402
Salary growth rate	1%	40,164	(37,906)
<b>i) The expected contribution to defined benefit obligation for the year ending December 31, 2019 will be Rs 126.30 million.</b>			
		2018	2017
		(Rupees in thousand)	
<b>8.2.2 Accumulating compensated absences</b>			
<b>a) Amount recognized in the statement of financial position</b>			
Present value of defined benefit obligations		194,598	168,430
Net liability at the end of the year		194,598	168,430
<b>b) Movement in liability</b>			
Net liability at the beginning of the year		168,430	111,380
Charge for the year		35,761	73,368
Benefits paid during the year		(9,593)	(16,318)
Net liability at the end of the year		194,598	168,430
<b>c) Charge for the year</b>			
Current service cost		17,719	9,252
Interest cost		13,062	8,256
Experience adjustment		4,980	55,860
		35,761	73,368
<b>d) Charge for the year has been allocated as follows:</b>			
Cost of sales		27,507	57,598
Administrative expenses		8,254	15,770
		35,761	73,368

		2018	2017
		(Rupees in thousand)	
<b>e)</b>	<b>Movement in the present value of obligation</b>		
	Obligation at beginning of the year	168,430	111,380
	Current service cost	17,719	9,252
	Interest cost	13,062	8,256
	Benefit paid during the year	(9,593)	(16,318)
	Experience adjustment	4,980	55,860
	Defined benefit obligations at end of the year	194,598	168,430
<b>f)</b>	<b>The principal assumptions used in the actuarial valuation are as follows:</b>		
	Discount rate for interest cost	8.00%	8.0%
	Discount rate for year end obligation	13.25%	8.0%
	Salary increase used for year end obligation	13.25%	8.0%
	Retirement assumption	60 years	60 years
<b>Impact on defined benefit obligation</b>			
		<b>Change in assumption</b>	<b>Increase in assumption</b>
		<b>Decrease in assumption</b>	
		% age	(Rupees in thousand)
<b>g)</b>	<b>Sensitivity analysis</b>		
	Discount rate	1%	(13,473)
	Salary growth rate	1%	15,770
		2018	2017
		(Rupees in thousand)	
<b>9</b>	<b>Trade and other payables</b>		
	Creditors	9.1	4,989,753
	Advances from customers		3,852,299
	Accrued liabilities		4,154,683
	Withholding tax		1,525,889
	Workers profit participation fund	9.2	758,096
	Workers welfare fund	9.3	62,101
	Retention money payable		1,509,316
	Provident fund payable		347,555
	Income tax payable		48,620
	Others		14,887
			997,398
			–
			38,204
			13,688,406
			11,434,990

**9.1** The amount includes Rs 3,428.911 million (2017: Rs 2,817.233 million) on account of Gas Infrastructure Development Cess (GIDC). On October 26, 2016, the Honorable Sindh High Court struck down the GIDC Act ab initio being ultra vires and ordered the Government of Pakistan (the Government) to refund all the amounts collected thereunder. The Government obtained an interim injunction on the order from larger Bench of the Sindh High Court. Meanwhile on May 31, 2017 the Peshawar High Court validated the GIDC Act in a separate case. The said decision has been challenged by the petitioners in the Supreme Court of Pakistan.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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.

	Note	2018 (Rupees in thousand)	2017
<b>9.2 Workers profit participation fund</b>			
Balance at January 01		2,107,309	2,796,742
Charge for the year		992,468	677,805
Payment made during the year		(1,590,461)	(1,367,238)
Balance at December 31		1,509,316	2,107,309
<b>9.3 Workers welfare fund</b>			
Balance at January 01		171,410	94,339
Charge for the year		347,555	171,410
Reversal of provision during the year		(62,299)	(29,407)
Net charge for the year		285,256	142,003
Payment made during the year		(109,111)	(64,932)
Balance at December 31		347,555	171,410
<b>10 Accrued finance cost</b>			
On long term finances		126,871	101,059
On short term finances		97,248	66,764
		224,119	167,823
<b>11 Short term finances</b>			
<b>Secured loans from banking companies</b>			
Cash finance	11.1	1,159,272	1,200,100
Running finance	11.2	2,767,454	285,721
Finance against imported merchandise	11.3	894,935	240,117
		4,821,661	1,725,938

**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 6.81% to 9.87% (2017: 6.34% to 7.28%) 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 11,202.35 million (2017: Rs 11,202.35 million) on present and future current assets.

The facilities carry markup ranging from 5.78% to 11.40% (2017: 5.78% to 7.29%) per annum.

**11.3** These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 7.53% to 10.65% (2017: 6.54% to 7.26%) per annum.

**11.4** The aggregate unavailed short term borrowing facilities amount to Rs 10,678.34 million (2017: Rs 13,235.33 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 the ACIR 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 Additional Commissioner Inland Revenues, Multan alleging that the Company has not paid Sales tax on retail price on supplies of CAN and NP. Total demand raised was Rs 88.5 million.

Earlier the case had been decided in favor of Company by ATIR against which 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 three cases decided against the Company by the Collector of Customs (Adjudication), Faisalabad. Earlier these cases were remanded back to Collector of Customs (Adjudication), Faisalabad for re-hearing the case by the Customs Appellate Tribunal, Lahore:
  - Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million.
  - Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.604 million.
  - Alleged irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. The Company has filed an appeal before the Custom Appellate Tribunal, Lahore against the order passed by the Collector (Adjudication), Faisalabad in which he again raised a demand of Rs 495.900 million. Earlier the case had been remanded back to Collector of Customs (Adjudication), Faisalabad for re-hearing by the Custom Appellate Tribunal, Lahore.
- (vi) 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.
- (vii) 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%.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

- (viii) The Company has preferred an appeal with the Commissioner Inland Revenues (Appeals) against the order passed by the Additional Commissioner Inland Revenues Multan, Dated October 31, 2018 under section 122(5A) of Income Tax Ordinance, 2001 for Tax year 2017, raising an alleged demand of Rs 1,592 million by disallowing and adding back various admissible deductions of the Company towards its taxable income.
- (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 was introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. The Company earlier filed two suits in the Honorable Sindh High Court (SHC) challenging the levy of ACT for Tax years 2014 and 2015, on grounds that it deprived the Company of certain rights already accrued to it. However, the above suits have been withdrawn on the basis of jurisdiction and constitutional petitions filed before Lahore High Court which are pending for hearing.

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

	Note	2018 (Rupees in thousand)	2017
<b>12.2 Commitments in respect of :</b>			
(i) Contracts for capital expenditure		1,844,529	1,130,885
(ii) Contracts for other than capital expenditure		850,480	828,532
(iii) The amount of future payments under non cancellable operating leases:			
Not later than one year		273,053	294,355
Later than one year but not later than five years		217,901	243,516
		490,954	537,871
<b>13 Property, plant and equipment</b>			
Operating fixed assets- tangible	13.1	71,603,766	70,142,753
Capital work in progress	13.4	6,658,198	2,847,204
		78,261,964	72,989,957

### 13.1 Operating fixed assets - tangible

	2018							
	Cost			Accumulated Depreciation			Book value December 31, 2018	Depreciation rate
	December 31, 2017	Additions / (deletions)	December 31, 2018	December 31, 2017	charge / (deletions)	December 31, 2018		
	(Rupees in thousand)							%
Freehold land	440,328	–	440,328	–	–	–	440,328	–
Building on freehold land	4,341,646	95,234	4,436,880	874,788	175,049	1,049,837	3,387,043	4
Building on leasehold land	–	30,445	30,445	–	2,030	2,030	28,415	10
Plant and machinery	71,995,919	2,863,361	74,859,280	8,512,321	1,455,583	9,967,904	64,891,376	4
Aircraft	–	1,567,285	1,567,285	–	52,243	52,243	1,515,042	10
Catalysts	2,318,189	–	2,318,189	247,217	1,395,716	1,642,933	675,256	10 - 33.33
Furniture and fixtures	92,073	9,456	101,529	47,979	8,794	56,773	44,756	10
Office equipment	46,316	3,226	49,542	19,151	4,526	23,677	25,865	10
Electrical installations and appliances	1,034,719	57,207	1,091,926	583,733	101,088	684,821	407,105	10
Computers	316,790	85,472	395,946	218,652	59,263	271,599	124,347	25
		(6,316)			(6,316)			
Vehicles	277,924	37,237	314,549	217,310	33,618	250,316	64,233	20
		(612)			(612)			
	80,863,904	4,748,923	85,605,899	10,721,151	3,287,910	14,002,133	71,603,766	
		(6,928)			(6,928)			
	2017							
	Cost			Accumulated Depreciation			Book value December 31, 2017	Depreciation rate
	December 31, 2016	Additions / (deletions)	December 31, 2017	December 31, 2016	charge / (deletions)	December 31, 2017		
	(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)			

### 13.2 Particulars of land in the name of the Company are as follows:

Descriptions	Location	Land Area (Acres)
Free hold land	Sadiqabad District Rahim Yar Khan	947

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>13.3 The depreciation charge for the year has been allocated as follows:</b>			
Cost of sales	25	3,154,852	1,760,422
Administrative expenses	27	129,730	64,691
Distribution cost		3,328	2,750
		<b>3,287,910</b>	<b>1,827,863</b>
<b>13.4 Capital work in progress</b>			
Civil works		737,158	271,528
Plant and machinery		1,980,124	1,509,257
Capital stores		644,617	341,212
Advances			
- Freehold land		187,879	158,958
- Civil works		2,724	6,143
- Plant and machinery	13.4.1	3,105,696	260,106
- Other advances		–	300,000
		<b>3,296,299</b>	<b>725,207</b>
		<b>6,658,198</b>	<b>2,847,204</b>

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

	2018 (Rupees in thousand)	2017
<b>13.4.2 Movement of capital work in progress</b>		
Opening balance	2,847,204	2,447,601
Addition during the year	6,457,731	1,538,614
	<b>9,304,935</b>	<b>3,986,215</b>
Less: Capitalization during the year	2,646,737	1,139,011
Closing balance	<b>6,658,198</b>	<b>2,847,204</b>

## 13.5 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal
(Rupees in thousand)						
<b>Computers</b>						
Items having net book value below Rs 500,000	6,316	6,316	–	380	380	As per Company Policy to existing employees
<b>Vehicle</b>						
Items having net book value below Rs 500,000	612	612	–	420	420	Through tender as per policy
2018	6,928	6,928	–	800	800	
2017	4,850	3,996	854	2,083	1,229	

## 14 Intangible assets

	2018							
	Cost			Accumulated amortization			Book value December 31, 2018	Amortization rate
	December 31, 2017	Additions	December 31, 2018	December 31, 2017	Charge	December 31, 2018		
	(Rupees in thousand)							%
Computer software	112,331	57,655	169,986	74,135	17,198	91,333	78,653	25

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

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

	Note	2018	2017
		(Rupees in thousand)	
<b>15 Long term investments</b>			
<b>Investment in wholly owned subsidiary company - at cost</b>			
Fatimafert Limited	15.1	2,152,454	2,152,454
<b>Investment in associated companies - at cost</b>			
Multan Real Estate Company (Pvt) Limited	15.2	85,806	85,806
Fatima Electric Company Limited	15.3	140	140
Fatima Agri Sales & Services (Pvt) Limited	15.4	1,960	—
Singfert Pte. Ltd.	15.5	—	—
		87,906	85,946
		2,240,360	2,238,400

15.1 Fatimafert Limited (FFT) is a wholly owned subsidiary of the Company. The investment represents 100.001 million (2017: 100.001 million) fully paid ordinary shares of Rs 10 each.

The principal business of FFT is production, purchase and sale of fertilizers and place of business of FFT is near Chichoki Mallian at Sheikhpura Road.

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. The registered office of the company is at Lahore Pakistan.

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. The registered office of the company is at Lahore Pakistan.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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

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

- 15.5** 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. No dividend has been paid by singfert Pte. Ltd during the year.

Following directors of the company are other beneficial owners of Singfert:

Mr. Fawad Ahmed Mukhtar  
Mr. Fazal Ahmed Sheikh  
Mr. Faisal Ahmed Mukhtar

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

	2018	2017
	(Rupees in thousand)	
<b>16 Long term loan to associated company</b>		
Opening Balance	2,999,000	2,999,000
Repayment during the year	–	–
	2,999,000	2,999,000
Less: Current portion	999,667	–
	1,999,333	2,999,000

This represents loan of Rs 3,000 million approved in the Extra Ordinary General Meeting of the Company held on December 23, 2016 in favour of Pakarab Fertilizers Limited, an associated company. As per the terms of the agreement, the loan is for 5 years period with two and a half years as grace period. The loan is receivable in 6 semi annual equal installments. Interest is to be settled semi annually. The maximum amount of loan outstanding during the year was Rs 2,999 million.

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.33% to 12.91% (2017: 8.26% to 8.33%) 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, assets comprising of the CDM project and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

	Note	2018 (Rupees in thousand)	2017
<b>17 Stores and spares</b>			
Stores		251,433	218,082
Spares		3,765,897	3,578,721
Catalyst and chemicals		1,041,361	948,258
		5,058,691	4,745,061
<b>18 Stock in trade</b>			
Raw material {including in transit Rs 14.831 million (2017: Rs 376.952 million)}		1,474,847	1,348,958
Packing material		1,590	3,543
<b>Mid products</b>			
Ammonia		18,638	6,362
Nitric acid		17,740	3,360
Others		424	394
		36,802	10,116
<b>Finished goods</b>			
Urea		847,362	1,212,219
NP		2,004,330	538,127
CAN		577,154	631,772
Certified emission reductions		86,085	68,891
		3,514,931	2,451,009
		5,028,170	3,813,626
<b>19 Trade debts</b>			
Considered good:			
Secured against bank guarantees		2,357,600	1,736,236
Unsecured	19.1	39,805	60,115
		2,397,405	1,796,351
<b>19.1</b>	All these debtors are not past due.		
<b>20 Short term loans</b>			
<b>Subsidiary company</b>			
Fatimafert Limited	20.1	2,831,200	2,725,165
<b>Associated company</b>			
Reliance Commodities (Pvt) Limited	20.2	1,241,723	1,241,723
Pakarab Fertilizer Limited	20.3	2,000,000	–
		6,072,923	3,966,888

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

- 20.1** This represents loan against aggregate approved facility of Rs 4,000 million provided to Fatimafert Limited to support functionality and business requirements. The approved limit was enhanced from Rs 3,000 million to Rs 4,000 million by the Board of Directors in their meeting held on March 27, 2018. 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 8.28% to 11.10% (2017: 8.27% to 8.28%) per annum. The maximum amount of loan outstanding during the year was Rs 4,000 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 8.28% to 11.10% (2017: 8.17% to 8.28%) 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.
- 20.3** This represents loan against aggregate approved facility of Rs 2,000 million provided to associated company Pakarab Fertilizers Limited to support functionality and business requirements. The loan was approved in Annual General Meeting (AGM) held on April 30, 2018. 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 8.63% to 11.73% (2017:Nil) 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 2,000 million.

	Note	2018 (Rupees in thousand)	2017
<b>21 Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		17,585	20,387
- to suppliers		341,522	264,308
		359,107	284,695
Margin deposits held by banks		15,116	27,704
Prepayments		323,725	164,694
Advance income tax paid		–	536,023
Receivable from Government of Pakistan			
- Advance sales tax		3,276,696	1,733,484
- Subsidy receivable		1,630,501	1,520,428
		4,907,197	3,253,912
Advance sales tax on receipts		82,372	241,935
Markup receivable		340,688	180,857
Current portion of long term loan to associated company	16	999,667	–
Others		370,414	936,903
		7,398,286	5,626,723



	Note	2018 (Rupees in thousand)	2017
<b>22 Short term investments</b>			
Investment - through profit or loss		429,346	–
Investment - available for sale	22.1	193,927	198,113
		623,273	198,113

**22.1** Profit rates on these Investment ranged from 6.65% to 8.55% (2017:6.53% to 6.65%) per annum.

	Note	2018 (Rupees in thousand)	2017
<b>23 Cash and bank balances</b>			
At banks			
- saving accounts		188,008	158,329
- current accounts	23.1	347,731	649,838
Cash in hand		1,915	1,778
		537,654	809,945

**23.1** The balances in saving accounts carry markup ranging from 3.75% to 9.00% (2017: 5.00% to 5.25%) per annum.

	Note	2018 (Rupees in thousand)	2017
<b>24 Sales</b>			
Local sales	24.1	44,493,660	35,009,542
Export sales	24.2	1,470,159	2,602,276
		45,963,819	37,611,818
<b>24.1 Local sales</b>			
Fertilizer products		46,488,540	38,622,785
Mid products		473,998	279,095
Subsidy from Government of Pakistan		270,417	2,082,149
		47,232,955	40,984,029
Less: Sales tax		2,128,341	3,953,426
Discounts		610,954	2,021,061
		44,493,660	35,009,542
<b>24.2 Export sales</b>			
Fertilizer products		1,470,159	2,424,505
Certified emission reductions		–	177,771
		1,470,159	2,602,276

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	Note	2018 (Rupees in thousand)	2017
<b>25 Cost of sales</b>			
Raw material consumed		7,511,932	5,044,240
Packing material consumed		1,045,490	837,092
Salaries, wages and other benefits	25.1	2,643,244	2,316,734
Fuel and power		3,181,569	2,788,586
Chemicals and catalyst consumed		607,145	461,546
Stores and spares consumed		855,489	1,081,135
Technical assistance		40,022	70,199
Repair and maintenance		1,059,518	390,073
Insurance		178,722	140,326
Travelling and conveyance		114,147	84,374
Rent, rates and taxes		51,218	80,208
Vehicle running and maintenance		62,256	46,532
Depreciation	13.3	3,154,852	1,760,422
Others		67,557	91,650
<b>Manufacturing cost</b>		<b>20,573,161</b>	<b>15,193,117</b>
Opening stock of mid products		10,116	15,862
Closing stock of mid products		(36,802)	(10,116)
<b>Cost of goods manufactured</b>		<b>20,546,475</b>	<b>15,198,863</b>
Opening stock of finished goods		2,451,009	4,527,422
Closing stock of finished goods		(3,514,931)	(2,451,009)
		<b>19,482,553</b>	<b>17,275,276</b>

**25.1** This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 137.561 million (2017: Rs 156.891 million).

	Note	2018 (Rupees in thousand)	2017
<b>26 Distribution cost</b>			
Salaries, wages and other benefits		178,975	158,211
Fee for services	26.1	661,697	407,489
Rent, rates and taxes		244,648	285,124
Advertisement and sales promotion		351,107	334,222
Transportation and freight		2,118,790	2,247,766
Technical services to farmers		17,642	9,565
Others		56,860	39,505
		<b>3,629,719</b>	<b>3,481,882</b>

**26.1** This amount represents fee for marketing and distribution services charged by Fatima Agri Sales & Services (Pvt) Limited, an associated company.

	Note	2018 (Rupees in thousand)	2017
<b>27 Administrative expenses</b>			
Salaries, wages and other benefits	27.1	704,095	527,108
Travelling and conveyance		94,287	102,747
Vehicles running and maintenance		21,478	18,521
Insurance		5,098	7,941
Communication and postage		24,976	20,627
Printing and stationery		15,929	8,658
Repair and maintenance		14,960	18,821
Rent, rates and taxes	27.2	65,081	47,409
Fees and subscription		35,334	41,166
Entertainment		14,631	12,789
Legal and professional	27.3	37,505	23,745
Utilities		12,373	9,620
Aircraft operating expenses		77,406	–
Depreciation	13.3	129,730	64,691
Amortization	14.1	17,198	9,096
Charity and donation	27.4	769,815	586,293
Others		58,044	34,387
		<b>2,097,940</b>	<b>1,533,619</b>

**27.1** This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 46.742 million (2017: Rs 48.38 million).

**27.2** Rent, rates and taxes include operating lease rentals.

	Note	2018 (Rupees in thousand)	2017
<b>27.3 This includes auditors' remuneration as follows:</b>			
Annual audit fee		2,750	2,750
Half yearly review fee		575	575
Others	27.3.1	2,165	221
Out of pocket expenses		507	379
		<b>5,997</b>	<b>3,925</b>

**27.3.1** Others include special audit fee of Rs 1.815 million.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 27.4 Donation

27.4.1 Donations paid to followings exceeds Rs 500,000/- during the year :

- Mian Mukhtar A. Sheikh Trust (the Trust)
- Lahore University of Management Science (LUMS)
- Diامر -Bhasha and Mohmand Dams Fund
- The Pakistan Kidney and Liver Institute
- Care Foundation
- The Citizen Foundation
- Institute of Business of Management Karachi (IBA)
- The Hunar Foundation
- National Building Initiative
- Progressive Education Network
- Pakistan Centre for Philanthropy
- Shaukat Khanum Memorial Trust
- Sindh Institute of Urology and Transplantation
- Army Public School
- Lahore Businessmen Association for Rehabilitation of the Disabled (LABARD)
- Pakistan Outdoors
- Namal Education Foundation

27.4.2 Donation paid during the year includes:

- Rs 592 million (2017: Rs 500 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 40.4 million (2017: Rs 10.6 million) to Lahore University of Management Sciences (LUMS). The Chief Executive of the Company, Mr. Fawad Ahmed Mukhtar is a member of the Board of Governors of National Management Foundation (NMF) the sponsoring body of LUMS.

	2018	2017
	(Rupees in thousand)	
<b>28 Finance cost</b>		
Markup on long term finances	1,158,340	1,411,272
Markup on short term finances	214,774	464,134
Interest on Worker Profit Participation Fund	–	9,901
Bank charges and others	77,014	312,961
	1,450,128	2,198,268
<b>29 Other operating expenses</b>		
Workers' Profit Participation Fund	992,468	677,805
Workers' Welfare Fund	285,256	142,003
Loss on remeasurement of investment classified as fair value through profit or loss	41,870	–
Exchange loss - net	388,702	93,562
	1,708,296	913,370

	2018	2017
	(Rupees in thousand)	
<b>30 Other income</b>		
<b>Income from financial assets</b>		
Profit on loan to related parties	822,288	495,232
Profit on short term investments and saving accounts	29,455	21,508
	851,743	516,740
<b>Income from non financial assets</b>		
Scrap sales	42,215	5,738
Gain on disposal of property, plant and equipment	800	1,228
Others	20,682	3,160
	63,697	10,126
	915,440	526,866
<b>31 Taxation</b>		
Current	5,313,325	2,136,908
Deferred	(75,094)	23,348
	5,238,231	2,160,256

**31.1** Assessments for Tax Years upto 2018 (Financial Year ended December 31, 2017) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

	2018	2017
	%	
<b>31.2 Tax charge reconciliation</b>		
<b>Numerical reconciliation between the average tax rate and the applicable tax rate:</b>		
Applicable tax rate	29.00	30.00
<b>Tax effect of :</b>		
Change in tax rate	(2.75)	(3.86)
Effect of super tax	1.84	-
Income exempt from income tax or taxed at lower rate	(1.32)	(7.43)
Others	1.53	(1.75)
	(0.70)	(13.04)
<b>Average effective tax rate charged to statement of profit or loss</b>	28.30	16.96

**31.3** As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	Assessment	Provision
	(Rupees in thousand)	
Tax Year 2018	2,357,907	2,501,765
Tax Year 2017	659,139	1,302,583
Tax Year 2016	2,211,685	1,385,066

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 32 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties have been disclosed in the relevant notes to the financial statements. Significant transactions with related parties are as follows:

		2018	2017
		(Rupees in thousand)	
Relationship with the Company	Nature of transaction		
<b>Subsidiary Company</b>	Short term loan provided	106,035	1,468,000
	Other income	331,825	145,001
	Stores and spares	20,700	59
	Miscellaneous expenses	58,894	42,208
	Payment against business loss under Group relief	981,302	441,949
<b>Associated Companies</b>	Short term loan provided	2,000,000	50,000
	Miscellaneous expenses	189,710	339,091
	Purchase of Aircraft and related accessories	1,599,997	–
	Sale of product	17,909	292
	Lease rentals	56	–
	Purchase of raw / packing material	1,199,615	832,836
	Other income	490,463	350,231
	Stores and spares	22,218	21,433
	Payment against assignment of sales tax refund	–	1,150,280
	Fee for services	660,049	472,687
Dividend paid	2,083,139	1,322,965	
<b>Key management personnel</b>	Remuneration	278,666	232,975
	Dividend paid	690,236	611,627
<b>Retirement benefit plans</b>	Retirement benefit expense	184,303	205,271

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

Name	Basis of Relationship	Aggregate % of shareholding in the Company
Fatimafert Limited	100% owned subsidiary	Nil
Pakarab Fertilizers Limited	Common directorship	Nil
Reliance Commodities (Pvt) Ltd	Common directorship	Nil
Fatima Agri Sales & Services (Pvt) Ltd	Associated company	Nil
Fatima Packaging Limited (Formerly Reliance Sacks Limited)	Common directorship	Nil
Arif Habib Corporation Limited	Common directorship	15.19
Fatima Holding Limited	Common directorship	22.92
Fazal Cloth mills limited	Common directorship	3.29
Reliance Weaving mills Limited	Common directorship	0.13
Arif Habib Equity (Pvt) Limited	Common directorship	2.59

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

		2018	2017
<b>33</b>	<b>Earnings per share - basic and diluted</b>		
	Profit attributable to ordinary shareholders (Rupees in thousand)	13,272,392	10,576,013
	Weighted average number of shares (Number of shares)	2,100,000,000	2,100,000,000
	Basic and diluted earnings per share (Rupees)	6.32	5.04

		2018	2017
		Metric ton	
<b>34</b>	<b>Capacity and production</b>		
	<b>Urea</b>		
	Designed production capacity	500,000	500,000
	Actual production	500,855	474,094
	<b>CAN</b>		
	Designed production capacity	420,000	420,000
	Actual production	474,968	444,752
	<b>NP</b>		
	Designed production capacity	360,000	360,000
	Actual production	429,250	372,876

### 35 Remuneration of Directors and Executives

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

	Chief Executive		Executive Director		Executives	
	2018	2017	2018	2017	2018	2017
(Rupees in thousand)						
<b>Short term employee benefits</b>						
Managerial remuneration	17,357	17,399	16,934	17,443	421,285	352,110
Housing	7,811	7,830	7,620	7,849	189,413	158,206
Utilities	–	–	–	–	42,092	35,157
Conveyance allowance and site allowance	–	–	–	–	112,008	132,884
LFA and bonus	8,276	8,276	8,276	8,276	246,314	198,068
Others	2,932	2,615	73	101	22,401	22,381
	36,376	36,120	32,903	33,669	1,033,513	898,806
<b>Retirement benefits</b>						
Contribution to provident fund and gratuity	–	–	–	–	82,933	96,870
Accumulating compensated absences	–	–	–	–	19,966	53,883
	36,376	36,120	32,903	33,669	1,136,412	1,049,559
<b>Number of persons</b>	1	1	1	1	166	150

**35.2** No remuneration is paid to non executive directors.

**35.3** The company also provides the chief executive, executive director and some of the executives with company maintained cars.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 36 Financial risk management

### 36.1 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:

	2018	2017
	(FCY in thousand)	
Cash at banks – USD	401	554
Trade and other payables – USD	(12,489)	(15,256)
Net exposure – USD	(12,088)	(14,702)
Cash at banks – EUR	1,223	1,501
Trade and other payables – EUR	(604)	(602)
Net exposure – EUR	619	899

The following significant exchange rates were applied during the year:

	2018	2017
<b>Rupees per USD</b>		
Average rate	124.81	105.53
Reporting date rate	139.10	110.52
<b>Rupees per EUR</b>		
Average rate	145.57	119.18
Reporting date rate	159.10	132.03

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 56.191 million (2017: Rs 52.733 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 commodity price risk since it has a diverse portfolio of commodity suppliers.

**Fair Value sensitivity analysis - Investments through Profit or loss**

In case of 5% change in KSE 100 index on December 31, 2018 with all other variables held constant, net income for the year would increase / decrease by Rs 15.242 million.

**(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.

**Interest rate sensitivity analysis - Investments available for sale**

In case of 5% increase in the interest rate on December 31, 2018 with all other variables held constant, net profit for the period would increase / decrease by Rs 6.89 million.

At the statement of Financial Position date, the interest rate profile of the Company's interest bearing financial instruments was:

	2018	2017
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Cash at bank - saving accounts	188,008	158,329
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Long term loan to associated company	2,999,000	2,999,000
Short term loans	6,072,923	3,966,888
Short term investment	193,927	198,113
<b>Financial liabilities</b>		
Long term finance	13,030,187	16,426,334
Short term finance - secured	4,821,661	1,725,938

**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 Statement of Financial Position date would not affect statement of profit or loss of the Company.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 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 105.838 million (2017: Rs 76.918 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:

	2018	2017
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term deposits	254,294	114,217
Short term loans	6,072,923	3,966,888
Advances, deposits and other receivables	1,409,050	3,203,660
Trade debts - Un-secured	39,805	60,115
Bank balances	535,739	808,167
	11,310,811	11,152,047

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			2018	2017
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Askari Bank Limited	A1+	AA+	PACRA	2,150	2,159
Bank Alfalah Limited	A1+	AA+	PACRA	–	2,293
BankIslami Pakistan Limited	A1	A+	PACRA	1	2
Bank Al Habib Limited	A1+	AA+	PACRA	22,682	148,523
Citibank N.A	P-1	A1	Moody's	43	48
Faysal Bank Limited	A1+	AA	PACRA	–	2
Habib Bank Limited	A-1+	AAA	JCR-VIS	2,847	14,271
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	248,476	258,339
MCB Bank Limited	A1+	AAA	PACRA	1,300	149,460
National Bank of Pakistan	A-1+	AAA	JCR-VIS	732	1,180
Sindh Bank Limited	A-1+	AA	JCR-VIS	11	11
Soneri Bank Limited	A1+	AA-	PACRA	–	122
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	177,715	144,090
Summit Bank Limited	A-1	A-	JCR-VIS	79,572	83,427
The Bank of Punjab	A1+	AA	PACRA	123	285
United Bank Limited	A-1+	AAA	JCR-VIS	87	3,954

Due to the Company's long standing business relationships with these counter parties 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, 2018 the Company has Rs 10,822.060 million (2017: Rs 12,235.326 million) unutilized borrowing limits from financial institutions and Rs 537.654 million (2017: Rs 809.944 million) cash and bank balances.

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

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances	13,030,187	6,142,276	6,887,911	–
Short term finance - secured	4,821,661	4,821,661	–	–
Trade and other payables	6,617,353	6,617,353	–	–
Unclaimed dividend	68,832	68,832	–	–
Long term deposits	49,006	49,006	–	–
Accrued finance cost	224,119	224,119	–	–
	24,811,158	17,923,247	6,887,911	–

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	4,708,441	4,708,441	–	–
Unclaimed dividend	24,556	24,556	–	–
Long term deposits	51,269	51,269	–	–
Accrued finance cost	167,823	167,823	–	–
	23,104,361	12,330,075	10,774,286	–

**36.2 Fair values of financial assets and liabilities**

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

**Fair value hierarchy**

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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

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

	December 31, 2017			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Investments - through profit or loss	–	–	–	–
Investments - available for sale	198,113	–	–	198,113
<b>Total Financial assets at fair value</b>	<b>198,113</b>			<b>198,113</b>

### 36.3 Financial instruments by categories

#### Financial assets as per statement of financial position

	2018			2017		
	Loan and receivables	Fair value Through P & L	Available for sale	Loan and receivables	Fair value Through P & L	Available for sale
	(Rupees in thousand)					
Long term loan to associated company	2,999,000	–	–	2,999,000	–	–
Long term deposits	254,294	–	–	114,217	–	–
Short term loan to related parties	6,072,923	–	–	3,966,888	–	–
Advances, deposits and other receivables	1,409,050	–	–	3,203,660	–	–
Trade debts	2,397,405	–	–	1,796,351	–	–
Short term investment	–	429,346	193,927	–	–	198,113
Cash and bank balances	537,654	–	–	809,945	–	–
	<b>13,670,326</b>	<b>429,346</b>	<b>193,927</b>	<b>12,890,061</b>	<b>–</b>	<b>198,113</b>

#### Financial liabilities as per statement of financial position - at amortised cost

	2018	2017
	(Rupees in thousand)	
Long term finance	13,030,187	16,426,334
Short term finance - secured	4,821,661	1,725,938
Trade and other payables	6,617,353	4,732,997
Accrued finance cost	224,119	167,823
	<b>24,693,320</b>	<b>23,053,092</b>

### 36.4 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.

	2018	2017
	(Rupees in thousand)	
<b>37 Cash generated from operations</b>		
Profit before tax	18,510,623	12,736,269
Adjustments for:		
Depreciation on property, plant and equipment	3,287,910	1,827,863
Amortization of intangible assets	17,198	9,096
Finance cost	1,450,128	2,198,268
Provision for staff retirement benefits	121,834	149,331
Exchange loss on translation of foreign currency loan	355,289	83,600
Loss on remeasurement of investment - through profit or loss	41,870	-
Profit on short term loans to related parties	(822,288)	(495,232)
Profit on saving accounts	(29,455)	(21,508)
Gain on disposal of property, plant and equipment	(800)	(1,228)
	4,421,686	3,750,190
Operating cash flows before working capital changes	22,932,309	16,486,459
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(313,630)	227,406
Stock in trade	(1,214,544)	2,429,023
Trade debts	(601,054)	319,206
Loans, advances, deposits, prepayments and other receivables	(1,148,088)	(784,920)
Increase in creditors, accrued and other liabilities	1,365,128	2,217,734
	(1,912,188)	4,408,449
	21,020,121	20,894,908
<b>38 Provident fund</b>		
The following information is based on latest unaudited financial statements of the Fund:		
Size of the fund	660,422	546,242
Cost of investments made	578,461	492,978
Fair value of investments	586,025	500,422
%age of investments made	88	90

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

**38.1** The breakup of fair value of investments are as follows:

	2018		2017	
	Investments	% age	Investments	% age
(Rupees in thousand)				
Mutual funds	182,994	31	187,875	37
Scheduled banks	399,941	68	308,427	62
Redeemable capital	3,090	1	4,120	1
	586,025	100	500,422	100

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

**38.3** An amount of Rs 121.328 million (2017: Rs 108.51 million) has been contributed during the year to the provident fund.

	2018	2017
<b>39 Number of employees</b>		
Average number of employees during the year	2,038	1,916
Number of employees at end of the year	2,040	2,035

## 40 Significant transactions and events affecting the Company's financial position and performance

Pursuant to approval of special resolution in Extra Ordinary General Meeting held on November 19, 2018, the Company has paid an advance of Rs 2,250 million for the acquisition of production and operating plants from its associated company, Pakarab Fertilizers Limited in order to enhance its footprint in fertilizer market.

## 41 Shariah Compliance Disclosure

	2018		
	Conventional	Shariah Compliant	Total
(Rupees in thousand)			
<b>Finance cost</b>			
Long term loans	548,496	609,844	1,158,340
Short term borrowings	182,508	32,266	214,774
<b>Liabilities</b>			
Long term loans	6,580,187	6,450,000	13,030,187
Short term borrowings	3,896,232	925,429	4,821,661
<b>Accrued Markup</b>			
Long term loans	59,282	67,589	126,871
Short term borrowings	78,569	18,679	97,248
<b>Cash at bank</b>	528,415	7,324	535,739

	2017		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
<b>Finance cost</b>			
Long term loans	685,385	725,888	1,411,272
Short term borrowings	414,513	49,621	464,134
<b>Liabilities</b>			
Long term loans	7,801,334	8,625,000	16,426,334
Short term borrowings	1,245,310	480,628	1,725,938
<b>Accrued Markup</b>			
Long term loans	41,134	59,925	101,059
Short term borrowings	50,564	16,200	66,764
<b>Cash at bank</b>	802,572	5,595	808,167

#### 42 Non adjusting events after the reporting date

The Board of Directors in its Meeting held on March 29, 2019 proposed a final dividend of Rs 1.75 per share (2017: Rs 2.25 per share), amounting to Rs 3,675 million (2017: Rs 4,725 million), for approval of the members at the Annual General Meeting to be held on April 30, 2019.

The Board of Directors in their meeting held on October 15, 2018, have decided to amalgamate / merge wholly owned subsidiary, Fatimafert Limited into Fatima Fertilizer Company Limited with effect from January 01, 2019 subject to receipt of all requisite corporate and regulatory authorizations, consents and approvals.

#### 43 Date of Authorization of Issue

These financial statements have been authorized for issue on March 29, 2019 by the Board of Directors of the Company.

#### 44 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**

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# INDEPENDENT AUDITORS' REPORT

To the members of Fatima Fertilizer company limited

## Opinion

We have audited the annexed consolidated financial statements of Fatima Fertilizer Company Limited (the Holding Company) and its subsidiary company Fatimafert Limited (herein after referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31 2018, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

## Basis for Opinion

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

## Key Audit Matters

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

Following is the key matter:

Key audit matter	How the matters were addressed in our audit
<p><b>Revenue</b></p> <p>The Group's sales comprise of revenue from the sale of fertilizer and mid products which has been disclosed in note 24 to the consolidated financial statements.</p> <p>Revenue from the sale is recognized, when significant risks and rewards of ownership are transferred to the customer i.e. on dispatch of goods (note 4.21).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"><li>- Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue;</li><li>- Assessing the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li><li>- Checking on a sample basis whether the recorded sales transactions are based on dispatch of goods;</li><li>- Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.</li></ul>

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

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

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

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

## Responsibilities of the Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*Deloitte Young & Asif*

Chartered Accountants

Date: March 29, 2019

Lahore

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized share capital 2,500,000,000 (2017: 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 (2017: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	51,777,612	44,644,998
		72,777,612	65,644,998
<b>NON CURRENT LIABILITIES</b>			
Long term finances	7	8,376,578	13,751,619
Deferred liabilities	8	15,426,838	14,825,896
Long term deposits		57,183	56,626
		23,860,599	28,634,141
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	18,069,248	13,839,497
Accrued finance cost	10	306,253	259,961
Short term finances - secured	11	5,494,802	2,116,673
Unclaimed dividend		68,832	24,556
Current maturity of long term finances	7	7,630,942	7,140,715
		31,570,077	23,381,402
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	12		
		128,208,288	117,660,541

The annexed explanatory notes from 1 to 44 form an integral part of these consolidated financial statements.

	Note	2018 (Rupees in thousand)	2017
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	91,718,705	86,704,799
Intangible assets	14	5,978,747	5,938,386
		97,697,452	92,643,185
Long term investments	15	145,802	85,946
Long term loan to associated company	16	1,999,333	2,999,000
Long term deposits		254,820	114,743
		2,399,955	3,199,689
		100,097,407	95,842,874
<b>CURRENT ASSETS</b>			
Stores and spares	17	5,833,825	5,564,520
Stock in trade	18	6,099,971	4,207,756
Trade debts	19	2,564,524	1,930,632
Short term loans	20	3,241,723	1,241,723
Advances, deposits, prepayments and other receivables	21	9,030,134	7,842,835
Short term investments	22	623,273	198,113
Cash and bank balances	23	717,431	832,088
		28,110,881	21,817,667
		128,208,288	117,660,541



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
Sales	24	51,309,994	45,371,156
Cost of sales	25	(25,639,375)	(26,685,583)
<b>Gross profit</b>		<b>25,670,619</b>	<b>18,685,573</b>
Distribution cost	26	(3,684,686)	(3,610,140)
Administrative expenses	27	(2,316,965)	(1,736,973)
		<b>19,668,968</b>	<b>13,338,460</b>
Finance cost	28	(1,822,902)	(2,707,253)
Other operating expenses	29	(1,708,069)	(914,015)
		<b>16,137,997</b>	<b>9,717,192</b>
Other income	30	603,101	403,094
Share of profit from associated company		49,211	–
<b>Profit before tax</b>		<b>16,790,309</b>	<b>10,120,286</b>
Taxation	31	(4,876,754)	(852,343)
<b>Profit for the year</b>		<b>11,913,555</b>	<b>9,267,943</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	33	<b>5.67</b>	<b>4.41</b>

The annexed explanatory notes from 1 to 44 form an integral part of these consolidated financial statements.



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

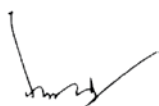


# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2018

	2018	2017
	(Rupees in thousand)	
Profit for the year	11,913,555	9,267,943
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss :</b>		
Deficit on remeasurement of investments - available for sale	(4,106)	(2,267)
Related tax thereon	1,192	685
	(2,914)	(1,582)
<b>Items that may not be reclassified subsequently to profit or loss :</b>		
Remeasurement of post retirement benefits obligation	(71,729)	(60,855)
Related tax thereon	18,702	17,627
	(53,027)	(43,228)
Other comprehensive income - net of tax	(55,941)	(44,810)
<b>Total comprehensive income for the year</b>	<b>11,857,614</b>	<b>9,223,133</b>

The annexed explanatory notes from 1 to 44 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, 2018

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Surplus / (deficit) on remeasurement of investment available for sale	Total
		Share premium	Unappropriated profit			
(Rupees in thousand)						
<b>Balance at December 31, 2016</b>	21,000,000	1,790,000	37,831,111	409	345	60,621,865
Profit for the year	-	-	9,267,943	-	-	9,267,943
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)
<b>Balance at December 31, 2017</b>	21,000,000	1,790,000	42,899,054	(42,819)	(1,237)	65,644,998
Profit for the year	-	-	11,913,555	-	-	11,913,555
Remeasurement of post retirement benefits obligation - net of tax	-	-	-	(53,027)	-	(53,027)
Deficit on remeasurement of investments available for sale - net of tax	-	-	-	-	(2,914)	(2,914)
Total comprehensive income	-	-	11,913,555	(53,027)	(2,914)	11,857,614
Transactions with owners:						
- Final dividend for the year ended December 31, 2017 @ Rs 2.25 per share	-	-	(4,725,000)	-	-	(4,725,000)
<b>Balance at December 31, 2018</b>	21,000,000	1,790,000	50,087,609	(95,846)	(4,151)	72,777,612

The annexed explanatory notes from 1 to 44 form an integral part of these consolidated financial statements.



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	22,112,191	22,472,241
Net increase / (decrease) in long term deposits		557	(3,450)
Finance cost paid		(1,776,611)	(2,845,110)
Taxes paid		(3,012,522)	(1,951,407)
Employee retirement benefits paid		(44,106)	(75,716)
<b>Net cash from operating activities</b>		<b>17,279,509</b>	<b>17,596,558</b>
<b>Cash flows from investing activities</b>			
Additions in property, plant and equipment		(8,596,336)	(1,884,208)
Additions in intangible assets		(57,655)	(29,383)
Long term investment		(1,960)	–
Short term loan to associated company - net		(2,000,000)	(50,000)
Short term investments made		(471,216)	–
Proceeds from short term investment		80	80
Proceeds from merger		–	10
Proceeds from disposal of property plant and equipment		1,534	4,727
Net (decrease) / increase in long term deposits		(140,077)	15,645
Profit received on short term loan and saving accounts		414,161	365,590
<b>Net cash used in investing activities</b>		<b>(10,851,469)</b>	<b>(1,577,539)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(7,396,384)	(5,518,025)
Proceeds from long term finances		2,156,282	–
Oversubscribed Sukuks		–	(8,092,675)
Dividend paid		(4,680,724)	(4,199,594)
Increase / (decrease) in short term finances - net		3,378,129	(8,960,307)
<b>Net cash used in financing activities</b>		<b>(6,542,697)</b>	<b>(26,770,601)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(114,657)</b>	<b>(10,751,582)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>832,088</b>	<b>11,583,670</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>717,431</b>	<b>832,088</b>

The annexed explanatory notes from 1 to 44 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, 2018

## 1. Legal Status and nature of business

Fatima Fertilizer Company Limited (the Holding Company) and its wholly owned subsidiary - Fatimafert Limited (FFT) collectively referred to as 'the Group' were incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company is listed on Pakistan Stock Exchange Limited. The control of FFT was transferred to the Holding Company on July 01, 2015.

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

Registered offices of the Holding Company and FFT are located in Lahore, Pakistan. The manufacturing facilities of the Holding Company are located at Mukhtargarh, Sadiqabad, Pakistan and that of FFT is located near Chichoki Mallian at Sheikhpura Road.

## 2 Basis of preparation

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

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

The Act has brought certain changes with regard to preparation and presentation of these consolidated financial statements. These changes include change in nomenclature of these consolidated financial statements. The Act has also changed the disclosure requirements including, but not limited to, particulars of immovable assets of the Company, management's assessment of sufficiency of tax provision, change in the threshold for identification of executives and additional disclosure requirements for related parties. Accordingly corresponding figures have been updated, where required.

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2018

The following standards, amendments and interpretations are effective for the year ended December 31, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- Amendments to IFRS 2 - 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions. Effective from accounting period beginning on or after January 01, 2018.
- Amendments to IAS 40 - 'Investment Property': Clarification on transfers of property to or from investment property. Effective from accounting period beginning on or after January 01, 2018.
- IFRIC 22 - 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non monetary prepaid asset / deferred income is denominated in foreign currency. Effective from accounting period beginning on or after January 01, 2018.

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 the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<b>Effective from accounting period</b>
– 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
– IFRS 16 - 'Leases'.	January 01, 2019
– Amendments to IFRS 9 - 'Financial Instruments': Prepayments 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 19 - 'Employee Benefits': Plan amendment, curtailment or settlement.	January 01, 2019
– IFRIC 23 - 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 - 'Income Taxes'.	January 01, 2019
– Annual Improvements to IFRS Standards 2015-2017 cycle addressing amendments to:  IFRS 3 - 'Business Combinations'; IFRS 11 - 'Joint Arrangements'; IAS 12 - 'Income Taxes'; and IAS 23 - 'Borrowing Costs'.	January 01, 2019
– Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
– Amendments to IFRS 3 - 'Business Combinations' Amendment in the definition of business.	January 01, 2020
– Amendments to IAS 1 - 'Presentation of Financial Statements' and IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors': Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards.	January 01, 2020

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 17 – 'Insurance contracts'

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 3 Basis of measurement

### 3.1 Accounting Convention

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

### 3.2 Critical accounting estimates and judgments

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

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

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

#### a) Employee retirement benefits

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

#### 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.

### 3.3 Change in accounting estimate

During the year the Holding Company recognized 'Catalysts' as a separate category in its fixed assets register and reclassified Rs 2,318.189 million from 'Plant and machinery' into this category. The change has been accounted for as a change in 'estimates' in accordance with IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. As a result of the change the Depreciation charged to Profit and Loss Account for the current year is higher by Rs 1,349.352 million.

## 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 reporting 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 Holding Company and the FFT 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, 2018. 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 Holding Company and its wholly owned subsidiary company, Fatimafert Limited (FFT).

#### **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.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 4.3.1 Business Combination

Fatima owns the 100% equity shares of the FFT. The control was transferred as on July 1st, 2015 against cash consideration.

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

Acquisition related cost are expensed as incurred.

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 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 4.23.

Depreciation on property, plant and equipment is charged to consolidated statement of profit or loss on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 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 statement of profit or loss during the period in which they are incurred.

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

## 4.5 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

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

Amortization on additions to computer software is charged from the month in which the asset is available for use while no amortization is charges 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 statement of profit or loss on a straight line basis over the lease term.

#### **4.8 Investments**

Investments intended to be held for less than twelve months from the reporting 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. All the investments made in associated companies is in compliance with Companies Act, 2017.

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 statement of profit or loss.

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

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended December 31, 2018

### 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 statement of profit or loss. 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 statement of profit or loss.

### 4.14 Cash and cash equivalents

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

### 4.15 Borrowings and their costs

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss account over the period of the borrowings using the effective interest method. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition or production of qualifying asset. Such borrowing costs if any are capitalized as part of the cost of the asset.

### 4.16 Related party transactions

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

### 4.17 Trade and other payables

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

#### **4.18 Provisions**

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

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

#### **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 statement of profit or loss.

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

#### **4.20 Impairment**

##### **Financial assets**

At each reporting 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 statement of profit or loss. 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 statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

##### **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, 2018

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

## 4.23 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 statement of profit or loss in the period in which they are incurred.

## 4.24 Dividend

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

## 4.25 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

	2018 (Number of shares)	2017		2018 (Rupees in thousand)	2017
	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

	Note	2018 (Rupees in thousand)	2017
<b>6 Reserves</b>			
<b>Capital reserves:</b>			
Share premium		1,790,000	1,790,000
<b>Revenue reserves:</b>			
Unappropriated profit		50,087,609	42,899,054
Post retirement benefit obligation reserve		(95,846)	(42,819)
Deficit on remeasurement of investments available for sale		(4,151)	(1,237)
		51,777,612	44,644,998

## 7 Long term finances

<b>Fatima Fertilizer Company Limited</b>			
Rated, Listed and Secured Ijarah Sukuk	7.1	6,300,000	8,400,000
Secured loans from Banking companies / Financial institutions	7.2	6,730,187	8,026,334
		13,030,187	16,426,334
Less: Current portion		6,142,276	5,652,048
		6,887,911	10,774,286
<b>Fatimafert Limited</b>			
Musharaka arrangement	7.3	2,977,333	4,466,000
Less: Current portion		1,488,666	1,488,667
		8,376,578	13,751,619
<b>7.1 Rated, Listed and Secured Ijarah Sukuk</b>			
<b>Fatima Fertilizer Company Limited</b>			
Opening balance		8,400,000	10,500,000
Less: Repayments during the year		2,100,000	2,100,000
		6,300,000	8,400,000
Less: Current portion		2,100,000	2,100,000
		4,200,000	6,300,000

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

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 7.28% to 11.02% (2017: 7.20% to 7.28%) per annum.

The Sukuks are secured by pari passu charge over all present and future fixed assets of the Company. The credit rating of the Sukuks has been maintained at 'AA-' (Double A Minus) by PACRA on November 01, 2018.

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	2018 (Rupees in thousand)	2017
<b>7.2 Secured loans from Banking companies/ Financial institutions</b>			
<b>Fatima Fertilizer Company Limited</b>			
Syndicated Term Finance Agreement - III (STFA - III)	7.2.1	691,667	1,530,667
Syndicated Term Finance Agreement - IV (STFA - IV)	7.2.2	1,500,000	3,000,000
Export Credit Agency Finance	7.2.3	1,457,238	1,620,667
HBL Term Loan	7.2.4	1,125,000	1,875,000
ABL Term Loan	7.2.5	800,000	—
BAHL Term Loan	7.2.6	1,156,282	—
		6,730,187	8,026,334
Less: Current portion		4,042,276	3,552,048
		2,687,911	4,474,286

### 7.2.1 Syndicated Term Finance Agreement - III (STFA - III)

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

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.17% to 11.72% (2017: 7.05% to 7.21%) 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 (2017: Rs 839 million).

### 7.2.2 Syndicated Term Finance Agreement - IV (STFA - IV)

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

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 7.19% to 10.93% (2017: 7.11% to 7.19%) 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. Last repayment is due on November 23, 2019. During the year the Company has paid installments aggregating to Rs 1,500 million (2017: Nil).

### **7.2.3 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 cold box Purifier 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 5.84% to 7.04% (2017: 5.21% to 5.84%) per annum.

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

This loan is repayable in twenty one equal quarterly installments with grace period of one year. Last repayment is due on June 15, 2021. During the year the Company has paid installments aggregating to USD 4.190 million (2017: USD 4.190 million).

### **7.2.4 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 7.46% to 11.97% (2017: 7.40% to 7.46%) per annum.

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

The loan is repayable in four years in eight half yearly installments. Last repayment is due on June 30, 2020. During the year the Company has paid installments aggregating to Rs 750 million (2017: Rs 750 million).

### **7.2.5 ABL Term Loan**

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

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

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

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

### **7.2.6 BAML Term Loan**

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

The facility carries markup at the rate of 6 months KIBOR plus 1.10% per annum. The effective rate of markup charged during the year is 10.70%.

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

The loan is repayable in three years in six semi annual equal installments starting from October 29, 2019. Last repayment is due on April 29, 2022.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 7.3 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 30<sup>th</sup> 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 markup period. The finance facility is secured by all present and future movable fixed assets (excluding land and buildings) and a corporate guarantee from the Holding Company. The effective rate of markup charged during the year on Musharaka arrangements ranged from 7.67% to 10.09% (2017: 7.57% to 7.67%) per annum.

7.4 The aggregate unavailed long term financing facilities amount to Rs 143.718 Million (2017: Rs Nil).

	Note	2018 (Rupees in thousand)	2017
<b>8 Deferred liabilities</b>			
Deferred taxation	8.1	14,666,815	14,234,362
Employee retirement benefits	8.2	760,023	591,534
		15,426,838	14,825,896
<b>8.1 Deferred taxation</b>			
This is composed of the following:			
<b>Taxable temporary difference:</b>			
Accelerated tax depreciation		15,445,577	15,552,975
Short term investment-Available for Sale		(1,703)	(530)
		15,443,874	15,552,445
<b>Deductible temporary difference:</b>			
Carry forward losses		(715,144)	(1,223,356)
Provision for retirement benefits and others		(22,436)	(73,233)
Remeasurement of defined benefit obligation		(39,479)	(21,494)
		(777,059)	(1,318,083)
		14,666,815	14,234,362
<b>8.2 Employee retirement benefits</b>			
Gratuity	8.2.1	507,580	365,639
Accumulating compensated absences	8.2.2	252,443	225,895
		760,023	591,534
<b>8.2.1 Gratuity</b>			
<b>a) Amount recognized in the balance sheet</b>			
Present value of defined benefit obligations	(f)	648,956	537,938
Fair value of plan assets	(g)	(141,376)	(172,299)
<b>Net liability at the end of the year</b>		507,580	365,639



	Note	2018 (Rupees in thousand)	2017
<b>b) Movement in liability</b>			
Net liability at the beginning of the year		365,639	271,396
Charge for the year	(c)	97,458	87,225
Benefits paid during the year		(17,204)	(40,368)
Contributions made during the year to the fund		(10,042)	(13,469)
Remeasurement changes chargeable to other comprehensive income	(e)	71,729	60,855
Net liability at the end of the year		507,580	365,639
<b>c) Charge for the year</b>			
Current service cost		67,132	67,602
Liability transferred from sister company		2,232	–
Interest cost		28,094	19,623
		97,458	87,225
<b>d) Charge for the year has been allocated as follows:</b>			
Cost of sales		75,839	69,451
Administrative expenses		21,619	17,755
Distribution cost		–	19
		97,458	87,225
<b>e) Total remeasurement chargeable to other comprehensive income</b>			
<b>Remeasurement of plan obligation:</b>			
Actuarial loss from changes in financial assumptions		1,039	51
Experience adjustments		39,043	17,920
Remeasurements of fair value of plan assets		31,647	42,884
		71,729	60,855
<b>f) Movement in the present value of defined benefit obligations</b>			
Defined benefit obligations at beginning of the year		537,938	490,263
Current service cost		67,132	62,336
Interest cost		41,687	37,946
Liability transferred from sister company		2,232	–
Liability transferred from workers gratuity fund		2,199	916
Benefits due but not paid		–	(950)
Benefit paid during the year		(42,314)	(70,493)
Remeasurement of plan obligation		40,082	17,920
Defined benefit obligations at end of the year		648,956	537,938

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for the year ended December 31, 2018

	2018	2017
	(Rupees in thousand)	
<b>g) Movement in the fair value of plan assets</b>		
Fair value at beginning of the year	(172,299)	(218,867)
Contributions made	(10,042)	(9,779)
Interest income on planned assets	(13,593)	(16,696)
Return on plan assets excluding interest income	31,647	42,884
Assets transferred from workers gratuity fund	(2,199)	(916)
Benefits due but not paid	–	950
Benefits paid	25,110	30,125
Fair value at end of the year	(141,376)	(172,299)
<b>h) The principal assumptions used in the actuarial valuation are as follows: -</b>		
Discount rate for interest cost	8.0%	8.0%
Discount rate for year end obligation	13.25%	8.0%
Salary increase used for year end obligation	13.25%	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)	
<b>i) Sensitivity analysis</b>			
Discount rate	1%	(46,491)	50,331
Salary growth rate	1%	51,208	(48,104)

j) The expected contribution to defined benefit obligation for the year ending December 31, 2018 will be Rs 126.30 million.

	2018	2017
	(Rupees in thousand)	
<b>8.2.2 Accumulating compensated absences</b>		
<b>a) Amount recognized in the statement of financial position</b>		
Present value of defined benefit obligations	252,443	225,895
Net liability at the end of the year	252,443	225,895
<b>b) Movement in liability</b>		
Net liability at the beginning of the year	225,895	167,006
Charge for the year	39,685	80,768
Benefits paid during the year	(13,137)	(21,879)
Net liability at the end of the year	252,443	225,895



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>9 Trade and other payables</b>			
Creditors	9.1	8,049,367	5,811,232
Advances from customers		5,215,577	4,574,418
Accrued liabilities		1,714,362	933,177
Withholding tax		74,504	76,535
Workers profit participation fund	9.2	1,509,316	2,107,309
Workers welfare fund	9.3	365,417	189,272
Retention money payable		50,694	42,539
Provident fund payable		14,887	10,588
Income Tax Payable		997,398	–
Others		77,726	94,427
		<b>18,069,248</b>	<b>13,839,497</b>

**9.1** The amount includes Rs 5,275.521 million (2017: Rs 4,209.383 million) on account of Gas Infrastructure Development Cess (GIDC). On October 26, 2016, the Honorable Sindh High Court struck down the GIDC Act ab initio being ultra vires and ordered the Government of Pakistan (the Government) to refund all the amounts collected thereunder. The Government obtained an interim injunction on the order from larger Bench of the Sindh High Court. Meanwhile on May 31, 2017 the Peshawar High Court validated the GIDC Act in a separate case. The said decision has been challenged by the petitioners in the Supreme Court of Pakistan.

Taking a prudent approach to date the Holding Company has accrued Rs 3,428.911 million (2017: Rs 2,817.233 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 1,846.61 million (2017: Rs 1,392.150 million) on both feed and fuel stock.

	2018 (Rupees in thousand)	2017
<b>9.2 Workers profit participation fund</b>		
Balance as at January 01	2,107,309	2,796,742
Provision for the year	992,468	677,805
Payment made during the year	(1,590,461)	(1,367,238)
Balance as at December 31	<b>1,509,316</b>	<b>2,107,309</b>
<b>9.3 Workers welfare fund</b>		
Balance as at January 01	189,272	112,201
Provision for the year	347,555	171,410
Reversal of provision during the year	(62,299)	(29,407)
Net Charge for the year	285,256	142,003
Payment made during the year	(109,111)	(64,932)
Balance as at December 31	<b>365,417</b>	<b>189,272</b>

	Note	2018 (Rupees in thousand)	2017
<b>10</b>	<b>Accrued finance cost</b>		
	On long term finances	204,238	189,275
	On short term finances	102,015	70,686
		<b>306,253</b>	<b>259,961</b>
<b>11</b>	<b>Short term finances</b>		
	<b>Secured loans from Banking companies</b>		
	<b>Fatima Fertilizer Company Limited</b>		
	Cash finance	1,159,272	1,200,100
	Running finance	2,767,454	285,721
	Finance against Imported Merchandise	894,935	240,117
		<b>4,821,661</b>	<b>1,725,938</b>
	<b>Fatimafert Limited</b>		
	Running finance	396,655	390,735
	Finance against Imported Merchandise	276,486	–
		<b>673,141</b>	<b>390,735</b>
		<b>5,494,802</b>	<b>2,116,673</b>

**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 6.81% to 9.87% (2017: 6.34% to 7.28%) 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 11,202.35 million (2017: Rs 11,202.35 million) on present and future current assets.

The facilities carry markup ranging from 5.78% to 11.40% (2017: 5.78% to 7.29%) per annum.

**11.3** These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 7.53% to 10.65% (2017: 6.54% to 7.26%) per annum.

**11.4** 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 7.31% to 10.42% (2017: 7.26% to 7.29%) per annum.

**11.5** These facilities have been obtained from various commercial banks carrying markup rate ranging from 7.28% to 11.71% (2017: 6.90% to 7.28%) per annum.

**11.6** The aggregate unavailed short term borrowing facilities amount to Rs 12,950.34 million (2017: Rs 16,419.33 million).

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 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 the ACIR 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 Additional Commissioner Inland Revenues, Multan alleging that the Company has not paid Sales tax on retail price on supplies of CAN and NP. Total demand raised was Rs 88.5 million.

Earlier the case had been decided in favor of Company by ATIR against which 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 three cases decided against the Company by the Collector of Customs (Adjudication), Faisalabad. Earlier these cases were remanded back to Collector of Customs (Adjudication), Faisalabad for re-hearing the case by the Customs Appellate Tribunal, Lahore:
  - Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million.
  - Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.604 million.
  - Alleged irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. The Company has filed an appeal before the Custom Appellate Tribunal, Lahore against the order passed by the Collector (Adjudication), Faisalabad in which he again raised a demand of Rs 495.900 million. Earlier the case had been remanded back to Collector of Customs (Adjudication), Faisalabad for re-hearing by the Custom Appellate Tribunal, Lahore.
- (vi) 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.
- (vii) 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%.

- (viii) The Company has preferred an appeal with the Commissioner Inland Revenues (Appeals) against the order passed by the Additional Commissioner Inland Revenues Multan, Dated October 31, 2018 under section 122(5A) of Income Tax Ordinance, 2001 for Tax year 2017, raising an alleged demand of Rs 1,592 million by disallowing and adding back various admissible deductions of the Company towards its taxable income.
- (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 was introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. The Company earlier filed two suits in the Honorable Sindh High Court (SHC) challenging the levy of ACT for Tax years 2014 and 2015, on grounds that it deprived the Company of certain rights already accrued to it. However, the above suits have been withdrawn on the basis of jurisdiction and constitutional petitions filed before Lahore High Court which are pending for hearing.

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

#### 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 also challenged the tariff 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 markup on the tariff adjustment is made in these financial statement.
- (iv) Certain income tax and sales tax matters pertaining to the period 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

	2018	2017
	(Rupees in thousand)	
(i) Contracts for capital expenditure	1,844,529	1,130,885
(ii) Contracts for other than capital expenditure	850,480	828,532
(iii) The amount of future payments under non cancellable operating leases:		
Not later than one year	273,053	294,355
Later than one year but not later than five years	217,901	243,516
	490,954	537,871

#### 12.2.2 Fatimafert Limited

(i) Letters of credit for purchase of raw materials and spares	10,657	3,764
	10,657	3,764

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>13 Property, plant and equipment</b>			
Operating fixed assets - tangible	13.1	84,941,860	83,626,121
Capital work in progress	13.2	6,776,845	3,078,678
		<b>91,718,705</b>	<b>86,704,799</b>

## 13.1 Operating fixed assets - tangible

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

	2017							
	Cost			Accumulated Depreciation			Book value December 31, 2017	Depreciation rate
	December 31, 2016	Additions / (deletions)	December 31, 2017	December 31, 2016	charge / (deletions)	December 31, 2017		
	(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
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)			



**13.1.2 Particulars of land in the name of the Company are as follows:**

Descriptions	Location	Land Area (Acres)
Free hold Land - Holding Company	Sadiqabad District Rahim Yar Khan	947
Free hold Land - Subsidiary Company	Chichoki Mallian at Sheikhpura Road	222

	Note	2018 (Rupees in thousand)	2017
<b>13.2 Capital work in progress</b>			
Civil works		743,264	277,633
Plant and machinery		2,005,499	1,534,598
Capital stores		731,783	541,240
Advances			
- Freehold land		187,879	158,958
- Civil works		2,724	6,143
- Plant and machinery	13.2.1	3,105,696	260,106
- Other advances		—	300,000
		3,296,299	725,207
		6,776,845	3,078,678

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

	2018 (Rupees in thousand)	2017
<b>13.2.2 Movement of capital work in progress</b>		
Opening balance	3,078,678	2,680,157
Addition during the year	6,457,762	1,542,232
	9,536,440	4,222,389
Less: Capitalization during the year	2,753,913	1,139,011
Provision for obsolescence for Capital Stores	5,682	4,700
Closing balance	6,776,845	3,078,678
<b>13.3 The depreciation charge for the year has been allocated as follows:</b>		
Cost of sales	3,441,065	2,045,803
Administrative expenses	132,263	68,783
Distribution Cost	3,391	2,792
	3,576,719	2,117,378

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

## 13.4 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal
(Rupees in thousand)						
Various items having net book value below Rs 500,000	9,544	(9,518)	26	1,534	1,508	Company policy / tender
<b>2018</b>	9,544	(9,518)	26	1,534	1,508	
2017	12,943	(12,007)	936	4,727	3,791	

## 14 Intangible assets

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

	2017							
	Cost			Accumulated amortization			Book value December 31, 2017	Amortization rate
	December 31, 2016	Additions	December 31, 2017	December 31, 2016	Charge	December 31, 2017		
(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	

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

### 14.2 Bubber Sher Brand

The recoverable amount of cash generating unit is the higher of value in use or fair value less cost to sell. Value in use is calculated as the net present value of the projected cash flows of the cash generating unit to which the asset belongs, discounted at the risk adjusted discount rate.

Details relating to the discounted cash flow model used to determine the value in use are as follows:

Valuation basis	Value in Use
Key assumptions	Sales Growth rate
	Discount rate
Terminal growth rate	2.50%
Discount rate	10.24%

The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the brand name.

	Note	2018 (Rupees in thousand)	2017
<b>15 Long term investments</b>			
Multan Real Estate Company (Pvt) Limited	15.1	85,806	85,806
Fatima Electric Company Limited	15.2	140	140
Fatima Agri Sales & Services (Pvt) Limited	15.3	59,856	–
Singfert PTE. Ltd.	15.4	–	–
		145,802	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. The Registered office of MREC is at Lahore, Pakistan.

- 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. The Registered office of FECL is at Lahore, Pakistan.

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

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

- 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. No dividend has been paid by singfert during the year.

Followings directors of the Company are other beneficial owners of Singfert:

Mr. Fawad Ahmed Mukhtar  
Mr. Fazal Ahmed Sheikh  
Mr. Faisal Ahmed Mukhtar

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.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	2018	2017
	(Rupees in thousand)	
<b>16 Long term loan to associated company</b>		
Opening Balance	2,999,000	2,999,000
Repayment during the year	–	–
	2,999,000	2,999,000
Less: Current portion	999,667	–
	1,999,333	2,999,000

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

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.33% to 12.91% (2017: 8.26% to 8.33%) 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, assets comprising of the CDM project and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

	Note	2018	2017
		(Rupees in thousand)	
<b>17 Stores and spares</b>			
Stores		491,542	428,594
Spares		4,471,046	4,341,863
Catalyst and chemicals		1,041,361	948,258
		6,003,949	5,718,715
Less: Provision for obsolete items	17.1	170,124	154,195
		5,833,825	5,564,520
<b>17.1 Movement of provision for obsolete items</b>			
Opening balance		154,195	139,629
Add: Provision charged		15,929	14,566
Closing balance		170,124	154,195

	Note	2018 (Rupees in thousand)	2017
<b>18 Stock in trade</b>			
Raw material {including in transit Rs 14.831 million (2017: Rs 376.952 million)}		1,474,847	1,348,958
Packing material		4,726	30,700
<b>Mid Products</b>			
Ammonia		195,876	76,626
Nitric Acid		17,740	3,360
Others		424	394
		214,040	80,380
<b>Finished goods</b>			
- own manufactured			
Urea		847,362	1,212,219
NP		2,004,330	538,127
CAN		577,154	631,772
Emission reductions		86,085	68,891
		3,514,931	2,451,009
- purchased for resale			
DAP		891,427	296,709
		6,099,971	4,207,756
<b>19 Trade debts</b>			
Secured against bank guarantees		2,524,719	1,859,554
Unsecured - considered good		39,805	71,078
		2,564,524	1,930,632
<b>20 Short term loans</b>			
Reliance Commodities (Pvt) Limited	20.1	1,241,723	1,241,723
Pakarab Fertilizers Limited	20.2	2,000,000	-
		3,241,723	1,241,723

**20.1** This represents loan given to Reliance Commodities (Pvt) Limited, against approved limit of Rs 1,250 million. The loan is repayable within 30 business days' notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 8.28% to 11.10% (2017: 8.17% to 8.28%) 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.

**20.2** This represents loan against aggregate approved facility of Rs 2,000 million provided to associated company Pakarab Fertilizers Limited to support functionality and business requirements. The loan was approved in Annual General Meeting (AGM) held on April 30, 2018. The loan is repayable within 30 business days notice of demand. The loan is fully secured against a ranking charge over the present and future current assets of the associated company. The markup rate on the said loan is 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year was 8.63% to 11.73% (2017: Nil) per annum. The maximum amount of loan outstanding during the year was Rs 2,000 million.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>21 Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		18,748	21,166
- to suppliers		390,651	331,132
		409,399	352,298
Margin deposits held by banks		75,116	87,704
Prepayments		334,981	173,441
Advance income tax		845,345	1,377,626
Receivable from Government of Pakistan			
- Advance sales tax paid		3,770,625	2,731,407
- Subsidy receivable		1,838,075	1,751,115
		5,608,700	4,482,522
Advance sales tax on receipts		82,372	241,935
Markup receivable		234,885	129,117
Current portion of long term loan to associated company	16	999,667	—
Others		439,669	998,192
		9,030,134	7,842,835
<b>22 Short term investments</b>			
Investment - through profit or loss		429,346	—
Investment - Available for sale	22.1	193,927	198,113
		623,273	198,113

**22.1** Profit rates on these Investment ranged from 6.65% to 8.55% (2017:6.53% to 6.65%) per annum.

	Note	2018 (Rupees in thousand)	2017
<b>23 Cash and bank balances</b>			
At banks			
- saving accounts	23.1	189,152	159,247
- current accounts		526,161	670,883
Cash in hand		2,118	1,958
		717,431	832,088

**23.1** The balances in saving accounts carry markup ranging from 3.75% to 9.00% (2017: 3.8% to 5.25%) per annum.

	Note	2018 (Rupees in thousand)	2017
<b>24 Sales</b>			
Local Sales	24.1	49,839,835	42,768,880
Export Sales	24.2	1,470,159	2,602,276
		51,309,994	45,371,156
<b>24.1 Local Sales</b>			
Fertilizer Products			
- own manufactured		50,278,094	44,111,745
- purchased for resale		1,697,922	2,269,715
Subsidy from Government of Pakistan		270,417	2,918,351
Mid products		473,998	279,095
		52,720,431	49,578,906
Less: Sales Tax		2,269,002	4,601,520
Discounts		611,594	2,208,506
		49,839,835	42,768,880
<b>24.2 Export Sales</b>			
Fertilizer Products		1,470,159	2,424,505
Certified emission reductions		–	177,771
		1,470,159	2,602,276
<b>25 Cost of sales</b>			
Raw material consumed		10,004,752	8,075,608
Packing material consumed		1,108,826	897,677
Salaries, wages and other benefits	25.1	3,173,841	2,882,850
Fuel and power		4,217,109	3,329,107
Chemicals and catalyst consumed		651,134	496,685
Stores and spares consumed		1,016,767	1,219,022
Technical assistance		40,032	70,783
Repair and maintenance		1,078,195	404,333
Insurance		220,114	177,483
Travelling and conveyance		156,765	122,378
Rent, rates and taxes		108,843	179,470
Vehicle running and maintenance		74,736	57,514
Depreciation	13.3	3,441,065	2,045,803
Others		89,013	108,337
<b>Manufacturing cost</b>		25,381,192	20,067,050
Opening stock of mid products		80,380	100,459
Closing stock of mid products		(214,040)	(80,380)
<b>Cost of goods manufactured</b>		25,247,532	20,087,129
Opening stock of finished goods		2,451,009	7,208,998
Closing stock of finished goods		(3,514,931)	(2,451,009)
<b>Cost of sales - own manufactured</b>		24,183,610	24,845,118
<b>Cost of sales - purchased for resale</b>		1,455,765	1,840,465
		25,639,375	26,685,583

**25.1** This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 171.66 million (2017: Rs 187.59 million).

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	Note	2018 (Rupees in thousand)	2017
<b>26 Distribution cost</b>			
Salaries, wages and other benefits		178,979	158,824
Fee for services	26.1	714,639	492,047
Rent, rates and taxes		244,648	285,164
Advertisement and sales promotion		352,097	340,225
Transportation and freight		2,119,135	2,282,441
Technical services to farmers		17,642	9,565
Others		57,546	41,874
		<b>3,684,686</b>	<b>3,610,140</b>

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

	Note	2018 (Rupees in thousand)	2017
<b>27 Administrative expenses</b>			
Salaries, wages and other benefits	27.1	844,990	656,016
Travelling and conveyance		98,324	106,050
Vehicles' running and maintenance		26,599	23,399
Insurance		5,836	8,060
Communication and postage		30,072	25,158
Printing and stationery		17,003	10,865
Repair and maintenance		23,230	23,375
Rent, rates and taxes	27.2	82,900	65,016
Fees and subscription		37,015	42,580
Entertainment		15,197	13,492
Legal and professional	27.3	55,683	40,111
Utilities		16,637	14,297
Aircraft operating expenses		77,406	–
Depreciation	13.3	132,263	68,783
Amortization	14.1	17,294	9,672
Charity and donation	27.4	769,863	586,376
Others		66,653	43,723
		<b>2,316,965</b>	<b>1,736,973</b>

**27.1** This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 52.64 million (2017: Rs 53.28 million).

**27.2** Rent, rates and taxes include operating lease rentals.

	Note	2018 (Rupees in thousand)	2017
<b>27.3</b> This includes auditors' remuneration as follows:			
Annual audit fee		3,950	3,850
Half yearly review fee		575	575
Others	27.3.1	2,165	221
Out of pocket expenses		707	522
		<b>7,397</b>	<b>5,168</b>



**27.3.1** Others include special audit fee of Rs 1.815 million

## **27.4 Donation**

**27.4.1** Donations paid to followings exceeds Rs 500,000/- during the year :

- Mian Mukhtar A. Sheikh Trust (the Trust)
- Lahore University of Management Science (LUMS)
- Diamer -Bhasha and Mohmand Dams Fund
- The Pakistan Kidney and Liver Institute
- Care Foundation
- The Citizen Foundation
- Institute of Business of Management Karachi (IBA)
- The Hunar Foundation
- National Building Initiative
- Progressive Education Network
- Pakistan Centre for Philanthropy
- Shaukat Khanum Memorial Trust
- Sindh Institute of Urology and Transplantation
- Army Public School
- Lahore Businessmen Association for Rehabilitation of the Disabled (LABARD)
- Pakistan Outdoors
- Namal Education Foundation

**27.4.2** Donation paid during the year includes:

- Rs 592 million (2017: Rs 500 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 40.4 million (2017: Rs 10.6 million) to Lahore University of Management Sciences (LUMS). The Chief Executive of the Company, Mr. Fawad Ahmed Mukhtar is a member of the Board of Governors of National Management Foundation (NMF) the sponsoring body of LUMS.

	2018	2017
	(Rupees in thousand)	
<b>28 Finance cost</b>		
Markup on long term finances	1,469,132	1,751,849
Markup on short term finances	235,153	599,613
Interest on Worker Profit Participation Fund	–	9,901
Bank charges and others	118,617	345,890
	<b>1,822,902</b>	<b>2,707,253</b>
<b>29 Other operating expenses</b>		
Workers' Profit Participation Fund	992,468	677,805
Workers' Welfare Fund	285,256	142,003
Loss on remeasurement of investment classified as fair value through profit or loss	41,870	–
Exchange loss - net	388,475	94,207
	<b>1,708,069</b>	<b>914,015</b>

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	2018	2017
	(Rupees in thousand)	
<b>30 Other income</b>		
<b>Income from financial assets</b>		
Profit on loan to related parties	490,463	350,231
Profit on short term investments and saving accounts	29,464	21,727
<b>Income from assets other than financial assets</b>		
Rental income	14,400	14,400
Scrap sales	42,215	5,738
Gain on disposal of property plant and equipment	1,508	3,791
Others	25,051	7,207
	603,101	403,094
<b>31 Taxation</b>		
Current	5,414,392	2,251,713
Deferred	(537,638)	(1,399,370)
	4,876,754	852,343

## 32 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Group. Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties have been disclosed in the relevant notes to the financial statements. Significant transactions with related parties are as follows:

		2018	2017
		(Rupees in thousand)	
<b>Relationship with the Company</b>	<b>Nature of transaction</b>		
<b>Associated companies</b>	Short term loan provided	2,000,000	50,000
	Miscellaneous expenses	207,060	368,826
	Purchase of Aircraft and related accessories	1,599,997	-
	Sale of product	17,909	292
	Lease Rentals	56	-
	Purchase of raw / packing material	1,249,922	849,477
	Stores and spares	22,218	21,433
	Payment against assignment of sales tax refund	-	1,150,280
	Fee for services	721,462	570,801
	Dividend paid	2,083,139	1,322,965
<b>Key management personnel</b>	Remuneration	278,666	243,043
	Dividend paid	690,236	611,627
<b>Retirement benefit plans</b>	Retirement benefit expense	223,004	243,183

**32.1** Following are the related parties with whom the Group had entered into transactions or have arrangements / agreements in place.

<b>Name</b>	<b>Basis of Relationship</b>	<b>Aggregate % of shareholding in the Holding Company</b>
Pakarab Fertilizers Limited	Common directorship	Nil
Reliance Commodities (Pvt) Ltd	Common directorship	Nil
Fatima Agri Sales & Services (Pvt) Ltd	Associated company	Nil
Fatima Packaging Limited (Formerly Reliance Sacks Limited)	Common directorship	Nil
Arif Habib Corporation Limited	Common directorship	15.19
Fatima Holding Limited	Common directorship	22.92
Fazal Cloth mills limited	Common directorship	3.29
Reliance Weaving mills Limited	Common directorship	0.13
Arif Habib Equity (Pvt) Limited	Common directorship	2.59

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

		2018	2017
<b>33</b>	<b>Earnings per share - basic and diluted</b>		
	Profit attributable to ordinary shareholders (Rupees in thousand)	11,913,555	9,267,943
	Weighted average number of shares (Number of shares)	2,100,000,000	2,100,000,000
	Basic and diluted earnings per share (Rupees)	5.67	4.41

		2018	2017
		Metric ton	
<b>34</b>	<b>Capacity and production</b>		
	<b>Urea</b>		
	Designed production capacity	945,500	945,500
	Actual production	607,772	586,710
	<b>CAN</b>		
	Designed production capacity	420,000	420,000
	Actual production	474,968	444,752
	<b>NP</b>		
	Designed production capacity	360,000	360,000
	Actual production	429,250	372,876

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for the year ended December 31, 2018

## 35 Remuneration of Directors and Executives

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

	Chief Executive		Executive Director		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)					
<b>Short term employee benefits</b>						
Managerial remuneration	17,357	17,399	16,934	17,443	493,887	409,840
Housing	7,811	7,830	7,620	7,849	205,544	171,323
Utilities	–	–	–	–	50,158	41,715
Conveyance allowance and site allowance	–	–	–	–	112,008	132,884
LFA & bonus	8,276	8,276	8,276	8,276	246,314	198,068
Others	2,932	2,615	73	101	23,421	23,182
	36,376	36,120	32,903	33,669	1,131,332	977,012
<b>Retirement benefits</b>						
Contribution to provident fund and gratuity	–	–	–	–	92,784	104,862
Accumulating compensated absences	–	–	–	–	19,966	53,883
	36,376	36,120	32,903	33,669	1,244,082	1,135,757
<b>Number of persons</b>	1	1	1	1	190	170

**35.1** No remuneration is paid to non executive directors.

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

## 36 Financial Risk Management

### 36.1 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:

	2018	2017
	(FCY in thousand)	
Cash at banks – USD	409	563
Trade and other payables – USD	(12,489)	(15,256)
Net exposure – USD	(12,080)	(14,693)
Cash at banks – EUR	1,223	1,501
Trade and other payables – EUR	(604)	(602)
Net exposure – EUR	619	899

The following significant exchange rates were applied during the year:

	2018	2017
<b>Rupees per USD</b>		
Average rate	124.81	105.53
Reporting date rate	139.10	110.52
<b>Rupees per EUR</b>		
Average rate	145.57	119.18
Reporting date rate	159.10	132.03

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 56.191 million (2017: Rs 52.733 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 also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

**Fair value sensitivity analysis -Investment through Profit or loss**

In case of 5% change in KSE 100 index on December 31, 2018, with all other variables held constant, net profit for the period would increase / decrease by Rs 15.242 million as a result of gains / losses on equity securities classified as at fair value through profit or loss.

**(iii) Interest rate risk**

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

The 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, 2018

## Interest rate sensitivity analysis - Investment available for sale

In case of 5% change in fair value of TFC's on December 31, 2018, with all other variables held constant, net profit for the period would increase / decrease by Rs 6.89 million as a result of gains / losses on TFC's classified as available for sale.

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

	2018	2017
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Cash at Bank - saving accounts	189,152	159,247
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Long term loan to associated company	2,999,000	2,999,000
Short term loan to associated company	3,241,723	1,241,723
Short term investment	193,927	198,113
<b>Financial liabilities</b>		
Long term finance	16,007,520	20,892,334
Short term finances - secured	5,494,802	2,116,673

## Fair value sensitivity analysis for fixed rate instruments

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

## Cash flow sensitivity analysis for variable rate instruments

If the markup rate on 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 160.075 million (2017: Rs 129.991 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:

	2018	2017
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term deposits	254,820	114,743
Short term loan to associated company	3,241,723	1,241,723
Advances, deposits and other receivables	1,749,335	1,215,011
Trade debts - unsecured	39,805	71,078
Bank balances	715,313	830,130
	8,999,996	6,471,685

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		Rating Agency	2018	2017
	Short term	Long term		(Rupees in thousand)	
Askari Bank Limited	A1+	AAA	PACRA	–	173
Askari Bank Limited	A1+	AA+	PACRA	2,150	2,159
Bank Alfalah Limited	A1+	AA+	PACRA	79,378	11,005
BankIslami Pakistan Limited	A1	A+	PACRA	1	2
Bank AL Habib Limited	A1+	AA+	PACRA	22,856	148,779
Citibank N.A	P-1	A1	Moody's	43	48
Faysal Bank Limited	A1+	AA	PACRA	6	203
Habib Bank Limited	A-1+	AAA	JCR-VIS	102,186	25,729
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	248,500	258,361
MCB Bank Limited	A1+	AAA	PACRA	1,438	148,997
Meezan Bank Limited	A-1+	AA+	JCR-VIS	16	163
National Bank of Pakistan	A-1+	AAA	JCR-VIS	972	1,320
Soneri Bank Limited	A1+	AA-	PACRA	10	127
Summit Bank Limited	A-1	A-	JCR-VIS	79,806	84,679
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	177,715	144,090
United Bank Limited	A-1+	AAA	JCR-VIS	87	3,954
The Bank of Punjab	A1+	AA	PACRA	123	285
Sindh Bank Limited	A-1+	AA	JCR-VIS	26	56

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, 2018 the Group has Rs 13,094.058 million (2017: Rs 16,419.326 million) unutilized borrowing limits from financial institutions and Rs 717.431 million (2017: Rs 832.088 million) cash and bank balances.

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

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

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

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	13,751,620	–
Short term finance - secured	2,116,673	2,116,673	–	–
Trade and other payables	7,112,948	7,112,948	–	–
Unclaimed dividend	24,556	24,556	–	–
Long term deposits	56,626	56,626	–	–
Accrued finance cost	259,961	259,961	–	–
	30,463,098	16,711,479	13,751,620	–

### 36.2 Fair values of financial assets and liabilities

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

#### Fair value hierarchy

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

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

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

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

	December 31, 2017			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Investment - Available for sale	198,113	–	–	198,113
<b>Total Financial Assets at fair value</b>	<b>198,113</b>	<b>–</b>	<b>–</b>	<b>198,113</b>



### 36.3 Financial instruments by categories

	2018			2017		
	Loan and receivables	Fair value Through P & L	Available for sale	Loan and receivables	Fair value Through P & L	Available for sale
(Rupees in thousand)						
<b>Financial assets as per statement of financial position</b>						
Long term loan to associated company	2,999,000	–	–	2,999,000	–	–
Long term deposits	254,820	–	–	114,743	–	–
Short term loan to associated companies	3,241,723	–	–	1,241,723	–	–
Advances, deposits and other receivables	2,195,557	–	–	4,501,823	–	–
Trade debts	2,564,524	–	–	1,930,632	–	–
Short term investment	–	429,346	193,927	–	–	198,113
Cash and bank balances	717,430	–	–	832,088	–	–
	11,973,054	429,346	193,927	11,620,009	–	198,113

	2018	2017
(Rupees in thousand)		
<b>Financial liabilities as per statement of financial position - at amortized cost</b>		
Long term finance	16,007,520	20,892,334
Short term finance - secured	5,494,802	2,116,673
Trade and other payables	10,998,194	7,137,504
Accrued finance cost	306,253	259,961
	32,806,769	30,406,472

### 36.4 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.

### 36.4 Capital risk management

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	2018	2017
	(Rupees in thousand)	
<b>37 Cash generated from operations</b>		
Profit before tax	16,790,309	10,120,286
Adjustments for:		
Depreciation on property, plant and equipment	3,576,719	2,117,378
Amortization of intangible assets	17,294	9,672
Finance cost	1,822,902	2,707,253
Provision for staff retirement benefits	140,865	167,993
Exchange loss on translation of foreign currency loan	355,289	83,600
Loss on remeasurement of investment - through profit or loss	41,870	-
Provision for slow moving stores and spares	21,614	19,024
Profit on loan to related parties	(490,463)	(350,231)
Share of profit from Associates	(49,211)	-
Profit on saving accounts	(29,464)	(21,727)
Gain on disposal of property plant and equipment	(1,508)	(3,791)
	5,405,907	4,729,171
Operating cash flows before working capital changes	22,196,216	14,849,457
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(285,234)	83,734
Stock in trade	(1,892,215)	5,102,858
Trade debts	(633,892)	785,463
Loans, advances, deposits, prepayments and other receivables	(614,146)	(47,445)
Increase in creditors, accrued and other liabilities	3,341,462	1,698,174
	(84,025)	7,622,784
	22,112,191	22,472,241
<b>38 Provident fund</b>		
The following information is based on latest un audited financial statements of the Fund:		
Size of the fund	1,375,791	1,305,497
Cost of investment made	1,279,379	1,222,946
Fair value of investment made	1,287,811	1,248,710
Percentage of investments made	93	94

**38.1** The break up of fair value of investments is as follows:

	2018		2017	
	Investments	% age	Investments	% age
(Rupees in thousand)				
Mutual funds	807,591	63	539,731	43
Scheduled Banks	477,130	37	704,859	57
Redeemable Capital	3,090	0	4,120	0
	1,287,811	100	1,248,710	100

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

	2018	2017
<b>39 Number of employees</b>		
Average number of employees during the year	2,321	2,264
Number of employees at end of the year	2,378	2,392

**40 Significant transactions and events affecting the Company's financial position and performance**

Pursuant to approval of special resolution in Extra Ordinary General Meeting held on November 19, 2018, the Holding Company has paid an advance of Rs 2,250 million for the acquisition of production and operating plants from its associated company, Pakarab Fertilizers Limited in order to enhance its footprint in fertilizer market.

**41 Shariah compliance disclosure**

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

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

	2017		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
<b>Finance cost</b>			
Long term loans	685,385	1,066,465	1,751,849
Short term borrowings	549,992	49,621	599,613
<b>Liabilities</b>			
Long term loans	7,801,334	13,091,000	20,892,334
Short term borrowings	1,636,045	480,628	2,116,673
<b>Accrued Markup</b>			
Long term loans	41,134	148,141	189,275
Short term borrowings	54,486	16,200	70,686
<b>Cash at bank</b>	824,535	5,595	830,130

#### 42 Non adjusting events after the consolidated balance sheet date

The Board of Directors of the Holding Company in its Meeting held on March 29, 2019 proposed a final dividend of Rs 1.75 (2017: Rs 2.25) per share for the year ended December 31, 2018, amounting to Rs 3,675 million (2017: Rs 4,725 million) for approval of the members at the Annual General Meeting to be held on April 30, 2019.

The Board of Directors in their meeting held on October 15, 2018, have decided to amalgamate / merge wholly owned subsidiary, Fatimafert Limited into Fatima Fertilizer Company Limited with effect from January 01, 2019 subject to receipt of all requisite corporate and regulatory authorizations, consents and approvals.

#### 43 Date of Authorization of Issue

These consolidated financial statements have been authorized for issue on March 29, 2019 by the Board of Directors of the Holding Company.

#### 44 General

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



Chief Executive Officer



Director



Chief Financial Officer

# STATEMENT UNDER SECTION

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
<b>(a) Disclosure for all types of Investments</b>		
<b>(A) Disclosure regarding associated company</b>		
(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 9.839 for year 2016 PKR 23.32 for year 2017 PKR 9.67 for year 2018
(iv)	Break-up value per share, based on latest audited financial statements	PKR 241.25
(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 December 31, 2018  PKR in Million Authorized Capital 100 Paid up capital and reserves 1,687 Surplus on revaluation of property, plant and equipment 387 Non-Current Liabilities 2.7 Current Liabilities 4,774 Current Assets 6,245 Non-Current Assets 606 Revenue 2,119 Gross Profit 277 Finance Cost 193 Profit After Tax 143
(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

# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(B) General Disclosures</b>		
(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
<b>(b) Additional Disclosures regarding Loan Investment</b>		
(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 7.778%.
(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.

# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(b) Additional Disclosures regarding Loan Investment</b>		
(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 current 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	Relative
1) Mr. Arif Habib	
2) Mr. Fawad Ahmed Mukhtar	1) Mrs. Ambreen Fawad
3) Mr. Fazal Ahmed Sheikh	
4) Mr. Faisal Ahmed Mukhtar	
5) Mr. Muhammad Kashif Habib	

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

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

Sr. No.	Description	Information Required
<b>(a) Disclosure for all types of Investments</b>		
<b>(A) Disclosure regarding associated company</b>		
(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 5.47 for year 2015 PKR (4.28) for year 2016 PKR (8.76) for year 2017
(iv)	Break-up value per share, based on latest audited financial statements	PKR 43.78

# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(a) Disclosure for all types of Investments</b>		
<b>(A) Disclosure regarding associated company</b>		
(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, 2018  PKR in Billion Authorized Capital 10.0 Paid up capital and reserves 6.8 Surplus on revaluation of operating fixed assets 16.2 Non-Current Liabilities 17.6 Current Liabilities 27.7 Current Assets 19.5 Non-Current Assets 42.9 Revenue 5.8 Gross Loss 0.867 Finance Cost 1.679 Loss After Tax 2.631
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely:  (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable
<b>(B) General Disclosures</b>		
(i)	Maximum amount of investment to be made	Loan Investment up to PKR 2,000 Million already made.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of associated undertaking and to continue investment of Company's funds at attractive rate of 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.



# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(B) General Disclosures</b>		
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	<p>Agreement:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>On repayment of the Loan, the charge over the current assets of investee company is to be vacated</li> </ol>
(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	<p>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:</p> <p>Directors</p> <ol style="list-style-type: none"> <li>Mr. Arif Habib</li> <li>Mr. Fawad Ahmed Mukhtar</li> <li>Mr. Fazal Ahmed Sheikh</li> <li>Mr. Faisal Ahmed Mukhtar</li> <li>Mr. Muhammad Kashif Habib</li> </ol> <p>Relative</p> <ol style="list-style-type: none"> <li>Mrs. Ambreen Fawad</li> </ol>
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Long term loan of an aggregate amount of up to PKR 3.00 billion is already given to PFL. It is being charged at the 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.
(vii)	Any other important details necessary for the members to understand the transaction	None
<b>(b) Additional Disclosures regarding Loan Investment</b>		
(i)	Category-wise amount of investment	Loan investment up to PKR 2,000 million already made.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 7.778%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR + 2.12% per annum but not less than the borrowing cost of Fatima
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan was previously obtained in the form of a charge over current assets of the investee company. This charge shall be vacated on the repayment of the entirety of the loan.

# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(b) Additional Disclosures regarding Loan Investment</b>		
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.

## Item 7 of the Agenda:

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

### Directors

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

### Relative

- 1) Mrs. Ambreen Fawad

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

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

Sr. No.	Description	Information Required
<b>(a) Disclosure for all types of Investments</b>		
<b>(A) Disclosure regarding associated company</b>		
(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 5.47 for year 2015 PKR (4.28) for year 2016 PKR (8.76) for year 2017
(iv)	Break-up value per share, based on latest audited financial statements	PKR 43.78

# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(a) Disclosure for all types of Investments</b>		
<b>(A) Disclosure regarding associated company</b>		
(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, 2018  PKR in Billion Authorized Capital 10.0 Paid up capital and reserves 6.8 Surplus on revaluation of operating fixed assets 16.2 Non-Current Liabilities 17.6 Current Liabilities 27.7 Current Assets 19.5 Non-Current Assets 42.9 Revenue 5.8 Gross Loss 0.867 Finance Cost 1.679 Loss After Tax 2.631
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable
<b>(B) General Disclosures</b>		
(i)	Maximum amount of investment to be made	Loan Investment up to PKR 3,000 Million already made.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of associated undertaking and to continue investment of Company's funds at attractive rate of mark-up.
(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 grace and repayment period of the long term loan for further period of three years. 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 semi-annual basis. 3. On repayment of the Loan, the charge over the fixed assets of investee company is to be vacated.

# STATEMENT UNDER SECTION

134 (3) of the Companies Act, 2017

Sr. No.	Description	Information Required
<b>(B) General Disclosures</b>		
(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	A running finance facility of an aggregate amount of up to PKR 2.00 billion is already given to PFL. 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.
(vii)	Any other important details necessary for the members to understand the transaction	None
<b>(b) Additional Disclosures regarding Loan Investment</b>		
(i)	Category-wise amount of investment	Loan investment up to PKR 3,000 million already made.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 7.778%.
(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 fixed 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.	Loan already given. Grace and repayment period now being extended from Two and a half years to Five and a half years grace period, payable in 6 semiannual installments for Principal. Interest to be settled semi-annually.

## Item 8 of the Agenda:

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

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

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

Pursuant to above, these transactions have to be approved/ratified by the shareholders in the General Meeting.

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

## Item 9 of the Agenda:

Due to composition of Board of Directors of the Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. Therefore, the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties, triggering approval of shareholders under section 207 and / or 208 of the Companies Act, 2017, for the year ending December 31, 2019, which transactions shall be deemed to be approved by the shareholders. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis.

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

### Company Name and Nature of Relationship

1. Pakarab Fertilizers Limited - Associated company
2. 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 annual general meeting of shareholders for their formal approval/ratification.

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

### Directors

### Relative

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

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

The Directors are interested in the resolution only to the extent of their shareholding and / or common directorships in such related parties.

# PATTERN OF SHAREHOLDING

as at December 31, 2018

## Category - Wise

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	572,295,238	27.25
Associated Companies, Undertakings and Related Parties	926,439,688	44.12
Sponsors	330,856,281	15.76
Executive	502,197	0.02
Public Sector Companies and Corporations	1,832,428	0.09
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	103,177,768	4.91
Mutual Funds	11,499,296	0.55
General Public		
a. Local	58,113,573	2.77
b. Foreign	706,487	0.03
Foreign Companies	4,500,835	0.21
Others	90,076,209	4.29
<b>TOTAL</b>	<b>2,100,000,000</b>	<b>100.00</b>

## Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2018	Shares held	Percentage
<b>1 Associated Companies, Undertakings and Related Parties</b>		
ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
FATIMA HOLDING LIMITED	481,290,785	22.92
FAZAL CLOTH MILLS LTD	69,114,031	3.29
RELIANCE WEAVING MILLS LTD	2,625,166	0.13
ARIF HABIB EQUITY (PVT) LTD	54,409,500	2.59
<b>2 Directors, CEO and their Spouse and Minor Children</b>		
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	131,932,979	6.28
FARAH FAISAL	56,250	0.00
FATIMA FAZAL	70,311	0.00
FAWAD AHMED MUKHTAR	80,900,389	3.85
FAZAL AHMED SHEIKH	101,016,205	4.81
MUHAMMAD MUKHTAR SHEIKH	24,364,809	1.16
MOHAMMAD KASHIF	62,293,675	2.97
MOHID MUHAMMAD AHMED	5,942,301	0.28
<b>3 Sponsors</b>	330,856,281	15.76
<b>4 Executives</b>	502,197	0.02
<b>5 Public Sector Companies and Corporations</b>	1,832,428	0.09

# PATTERN OF SHAREHOLDING

as at December 31, 2018

Details of holding as on December 31, 2018		Shares held	Percentage
<b>6</b>	<b>Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	103,177,768	4.91
<b>7</b>	<b>Mutual Funds</b>	11,499,296	0.55
<b>8</b>	<b>Shareholders holding 5 % or more voting interest</b>		
	ARIF HABIB CORPORATION LIMITED	319,000,206	15.19
	FATIMA HOLDING LIMITED	481,290,785	22.92
	MUHAMMAD ARIF HABIB	149,490,294	7.12
	FAISAL AHMED MUKHTAR	131,932,979	6.28

No. of Shareholders	From	Having Shares	To	Shares Held
2243	1	to	100	82,183
3861	101	to	500	1,567,936
1161	501	to	1000	1,035,073
1560	1001	to	5000	4,182,787
497	5001	to	10000	3,992,829
195	10001	to	15000	2,448,873
118	15001	to	20000	2,165,519
78	20001	to	25000	1,811,178
35	25001	to	30000	977,212
26	30001	to	35000	836,251
27	35001	to	40000	1,016,097
24	40001	to	45000	1,029,819
42	45001	to	50000	2,083,551
10	50001	to	55000	525,500
20	55001	to	60000	1,159,248
10	60001	to	65000	626,341
10	65001	to	70000	690,789
10	70001	to	75000	727,607
4	75001	to	80000	312,750
4	80001	to	85000	329,000
3	85001	to	90000	263,000
1	90001	to	95000	93,900
21	95001	to	100000	2,100,000
3	100001	to	105000	310,187
5	105001	to	110000	541,834
1	110001	to	115000	114,787
5	120001	to	125000	622,833
2	125001	to	130000	257,500
3	130001	to	135000	400,500
2	135001	to	140000	278,000
3	140001	to	145000	430,008
6	145001	to	150000	893,400
1	155001	to	160000	160,000
1	160001	to	165000	165,000
2	165001	to	170000	334,000
4	170001	to	175000	691,225
1	175001	to	180000	180,000
2	185001	to	190000	373,566
8	195001	to	200000	1,595,115
2	200001	to	205000	409,250

# PATTERN OF SHAREHOLDING

as at December 31, 2018

No. of Shareholders	From	Having Shares	To	Shares Held
1	205001	to	210000	208,500
1	210001	to	215000	210,419
2	215001	to	220000	434,000
1	220001	to	225000	225,000
1	225001	to	230000	229,000
1	230001	to	235000	232,000
3	235001	to	240000	708,252
1	240001	to	245000	240,784
6	245001	to	250000	1,495,500
1	265001	to	270000	270,000
1	270001	to	275000	275,000
1	295001	to	300000	300,000
1	300001	to	305000	305,000
2	320001	to	325000	646,500
1	325001	to	330000	330,000
1	335001	to	340000	335,581
2	345001	to	350000	694,000
2	360001	to	365000	730,000
1	365001	to	370000	370,000
1	370001	to	375000	372,500
1	375001	to	380000	379,000
1	400001	to	405000	402,000
1	415001	to	420000	418,490
1	425001	to	430000	428,865
1	445001	to	450000	450,000
1	460001	to	465000	465,000
3	475001	to	480000	1,434,500
2	485001	to	490000	975,000
1	495001	to	500000	500,000
1	505001	to	510000	505,241
1	525001	to	530000	527,862
1	540001	to	545000	541,500
1	570001	to	575000	571,000
2	585001	to	590000	1,176,361
1	595001	to	600000	600,000
2	605001	to	610000	1,218,792
1	670001	to	675000	675,000
1	695001	to	700000	695,562
1	700001	to	705000	704,000
1	745001	to	750000	749,500
1	750001	to	755000	753,687
1	755001	to	760000	758,797
2	780001	to	785000	1,567,950
1	795001	to	800000	800,000
1	915001	to	920000	916,042
1	920001	to	925000	924,000
2	975001	to	980000	1,959,000
1	1055001	to	1060000	1,055,001
1	1095001	to	1100000	1,095,270
1	1100001	to	1105000	1,100,500
1	1150001	to	1155000	1,155,000
1	1240001	to	1245000	1,240,017
2	1345001	to	1350000	2,699,050
1	1350001	to	1355000	1,351,357
1	1365001	to	1370000	1,365,263
1	1540001	to	1545000	1,541,878
1	1590001	to	1595000	1,591,500
1	1605001	to	1610000	1,609,500



# PATTERN OF SHAREHOLDING

as at December 31, 2018

No. of Shareholders	From	Having Shares	To	Shares Held
2	2015001	to	2020000	4,030,430
1	2080001	to	2085000	2,080,500
1	2130001	to	2135000	2,133,500
1	2180001	to	2185000	2,182,000
1	2205001	to	2210000	2,209,500
1	2260001	to	2265000	2,262,000
1	2295001	to	2300000	2,298,937
1	2400001	to	2405000	2,403,669
1	2625001	to	2630000	2,625,166
1	2795001	to	2800000	2,800,000
1	2850001	to	2855000	2,855,000
1	2920001	to	2925000	2,925,000
1	2980001	to	2985000	2,981,177
1	3920001	to	3925000	3,924,459
1	4545001	to	4550000	4,548,500
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	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	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	11875001	to	11880000	11,877,500
1	12490001	to	12495000	12,492,349
2	16625001	to	16630000	33,254,639
1	17910001	to	17915000	17,913,706
1	18785001	to	18790000	18,789,792
1	22395001	to	22400000	22,400,000
1	25800001	to	25805000	25,802,500
1	31140001	to	31145000	31,140,029
1	34825001	to	34830000	34,829,963
1	39255001	to	39260000	39,258,014
1	39510001	to	39515000	39,512,487
1	41160001	to	41165000	41,163,375
1	43690001	to	43695000	43,691,543
1	46610001	to	46615000	46,610,769
1	53875001	to	53880000	53,878,336
1	54405001	to	54410000	54,409,500
1	62275001	to	62280000	62,279,926
1	62290001	to	62295000	62,293,675
1	62695001	to	62700000	62,700,000
1	64795001	to	64800000	64,800,000
1	69110001	to	69115000	69,114,031
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
10153				2,100,000,000

# FINANCIAL CALENDER

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

Annual General Meeting	April 30, 2019
1 <sup>st</sup> Quarter ending March 31, 2019	Third week of April 2019
2 <sup>nd</sup> Quarter ending June 30, 2019	Third week of August 2019
3 <sup>rd</sup> Quarter ending September 30, 2019	Third week of October 2019

# FORM OF PROXY

## 16<sup>th</sup> 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 16<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, April 30, 2019 and / or any  
adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ 2019.

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

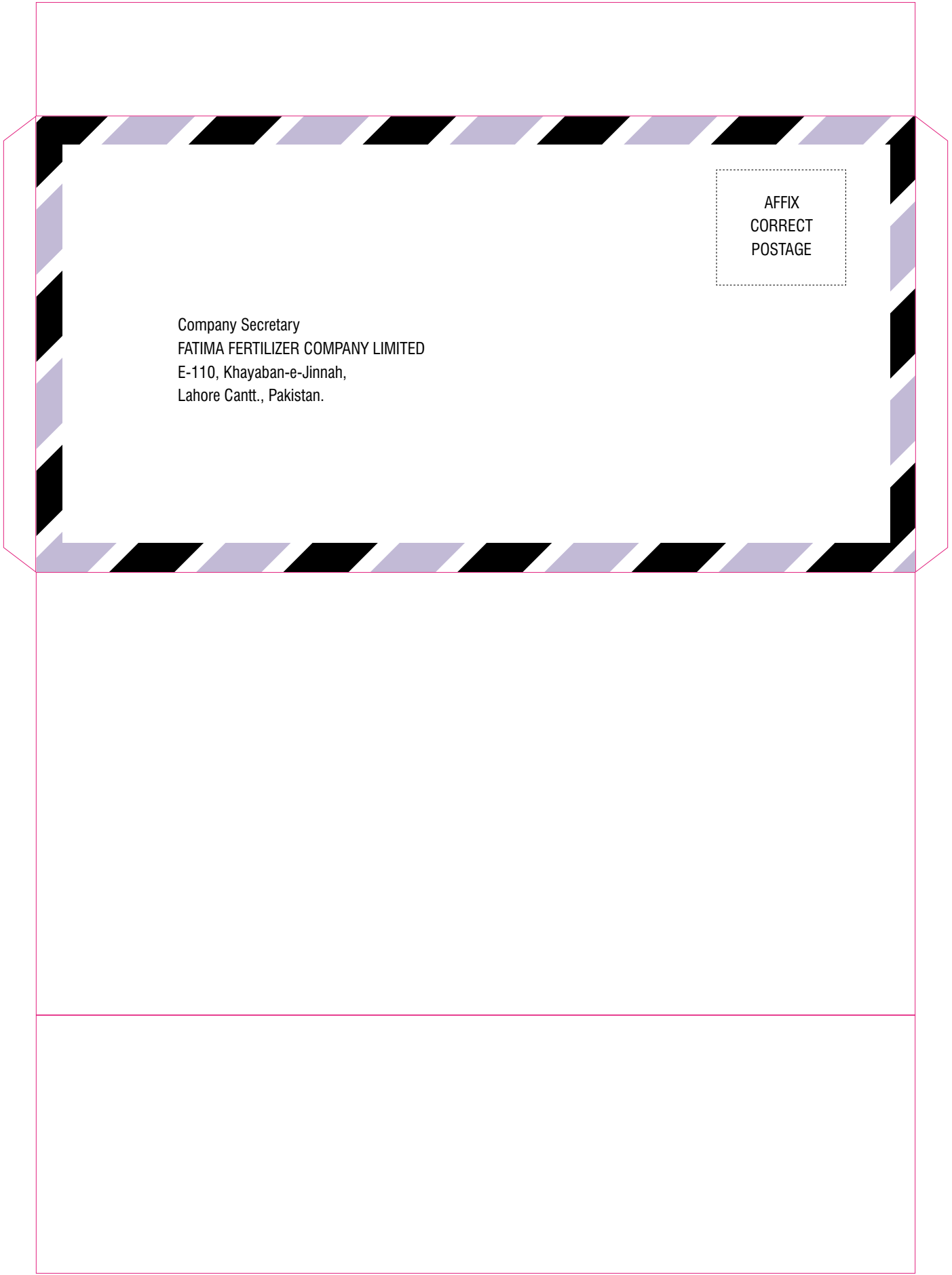
**IMPORTANT:**

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).



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

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میں / ہم \_\_\_\_\_  
 ساکن \_\_\_\_\_ بطور ممبر (ز) فاطمہ فریلا نزر 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 2019  
 بروز منگل کو ہونے والے یا کسی بھی التوا کی صورت میں 16 واں سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا بطور نمائندہ  
 (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

بطور گواہ آج \_\_\_\_\_ بتاریخ \_\_\_\_\_ اپریل 2019 \_\_\_\_\_ کی موجودگی میں دستخط ہوئے۔

پانچ روپے کے رسیدی  
 ٹکٹ پر دستخط

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

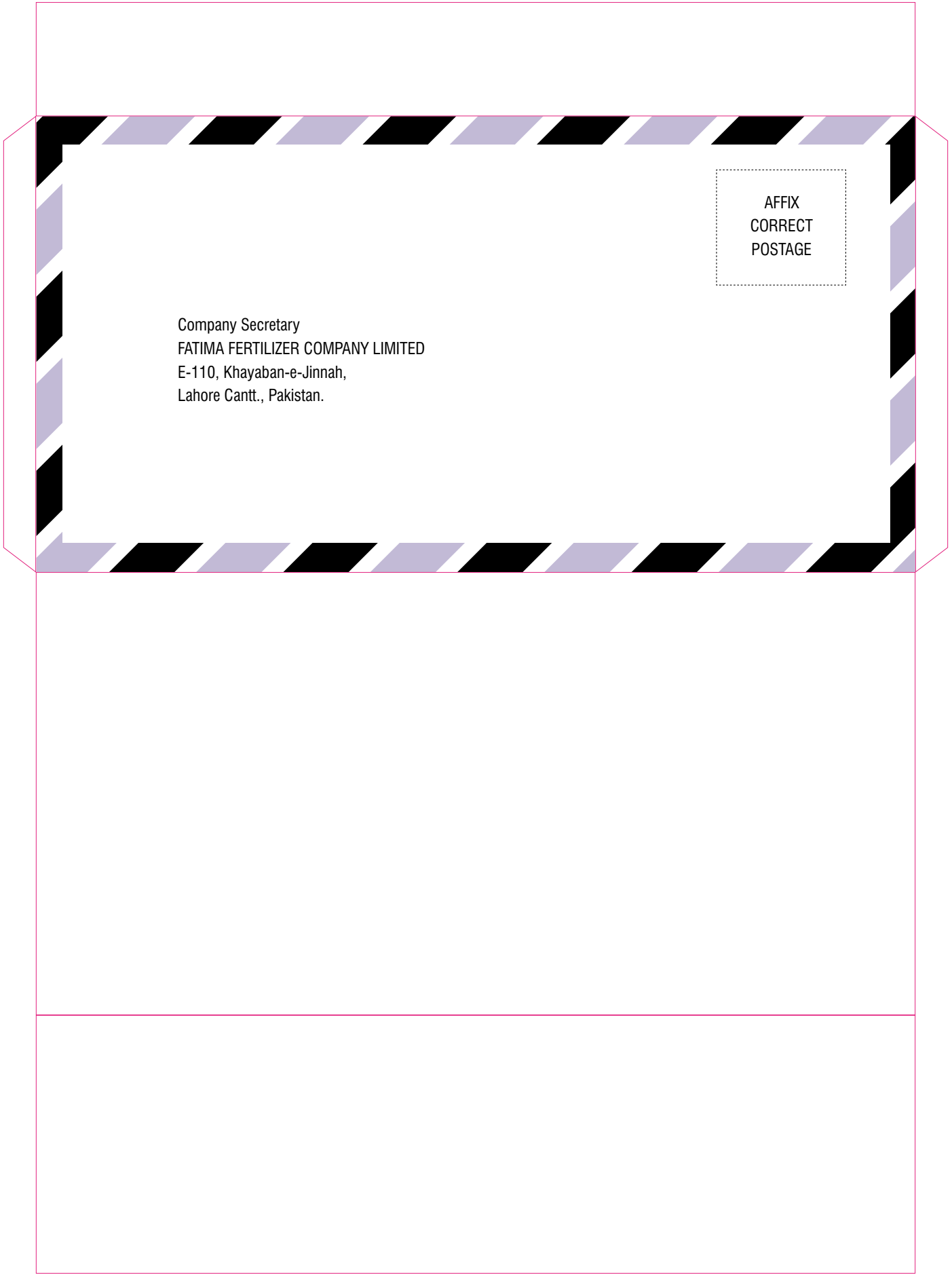
سی ڈی سی اکاؤنٹ نمبر		قولیو نمبر
اکاؤنٹ نمبر	شرکت دار کی شناخت	

### 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 انشرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انشرومنٹ آف پراکسی کا عدم 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 اتارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔



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

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

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

Dear Shareholder,

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

<b>Details of Shareholder</b>	
Name of shareholder	
Folio / CDS Account No.	
CNIC No. (Copy attached)	
Cell number of shareholder	
Landline number of shareholder, if any	
Email	
<b>Details of Bank Account</b>	
Title of Bank Account	
International Bank Account Number (IBAN) " <b>Mandatory</b> "	<b>PK</b> _____ <b>(24 digits)</b>  (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.	
_____ <b>Signature of shareholder</b>	

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

کمپنی سیکرٹری

فاطمہ فریلازر کمپنی لمیٹڈ

E-110، خیابان جناح لاہور کینٹ، پاکستان

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

www.fatima-group.com

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

معزز شیئر ہولڈر،

آپ کو مطلع کیا جاتا ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق، نقد کی صورت میں ادا کیے جانے والے کسی بھی کمپنی منافع کو (ڈیویڈنڈ) صرف الیکٹرانک ذریعہ سے حقدار شیئر ہولڈر کی طرف سے نامزد کردہ بینک اکاؤنٹ میں برابراست ادا کیا جائیگا۔ براہ مہربانی نوٹ فرمائیں کہ کمپنی منافع (ڈیویڈنڈ) ادائیگیوں کے لئے بینک مینڈیٹ کا دیا جانا لازمی ہے اور اس انقباضی شرط کے مطابق عمل درآمد کے لئے نیز کمپنی منافع (ڈیویڈنڈ) کی رقم کی اپنے بینک میں برابراست منتقلی کی سہولت سے بہرہ مند ہونے کے لئے، آپ سے درخواست کی جاتی ہے کہ براہ مہربانی اپنے متعلقہ سی ڈی سی حصہ دار / سی ڈی سی سرمایہ کار اکاؤنٹ سرورسز (آپ کے شیئر ہولڈنگ کے یک انٹری فارم میں ہونے کی صورت میں) یا ہمارے شیئر رجسٹرار میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، شیئر رجسٹرار ڈپارٹمنٹ، سی ڈی سی حلاس، B-99، بلاک B، ایس ایم سی ایچ ایس، مین شاہرہ 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)	(24 حروف) PK
"لازمی"	(براہ مہربانی اپنے متعلقہ بینک برانچ سے مشورہ کر کے اپنا درست آئی بین نمبر فراہم کریں کیونکہ آئی بین نمبر میں کسی بھی غلطی یا بھول چوک کے باعث آپ کے نقد کمپنی منافع (ڈیویڈنڈ) ادائیگی میں نقصان یا دیر ہو جانے کی صورت میں کمپنی کسی بھی طرح ذمہ دار نہ ہوگی)
بینک کا نام	
برانچ کا نام اور پتہ	
فراہم کی گئی درج بالا تمام معلومات بالکل درست ہیں اور ان میں کسی بھی قسم کی تبدیلی واقع ہونے کی صورت میں، میں / ہم فوری طور پر حصہ دار / شیئر رجسٹرار کو مطلع کریں گے۔	
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:

www.jamapunji.pk



**Jama  
Punji**  
سرمایہ کاری سمجھداری کے ساتھ



**Be aware, Be alert,  
Be safe**  
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-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered
-  Online Quizzes

-  Stock trading simulator  
(based on live feed from PSX)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan


 [jamapunji.pk](http://jamapunji.pk)


 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices



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

 PABX : +92 42 111 328 462

 Fax : +92 42 3662 1389



[www.fatima-group.com](http://www.fatima-group.com)

