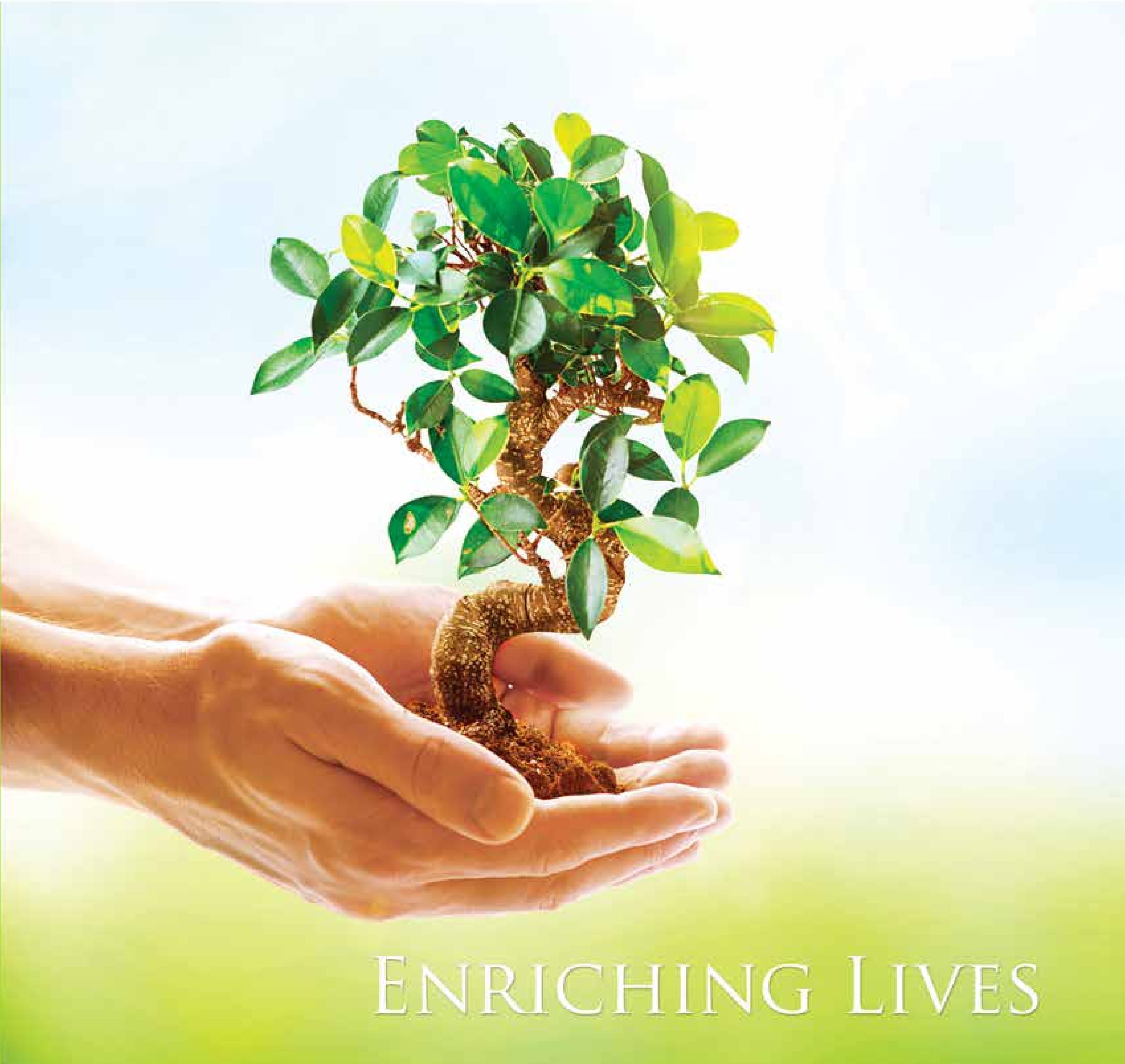
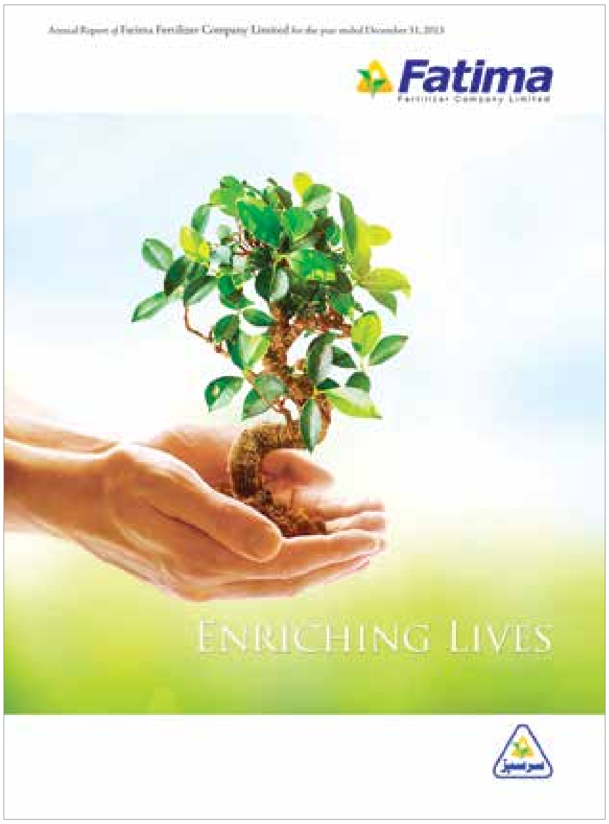
Fatima
Fertilizer Company Limited





Enriching Lives

This year the theme of our Annual Report is Enriching Lives. We have endeavored to string together engaging real stories that underscore our small steps on this cherished path. As you sift through the pages that follow, you will experience some of our initiatives and commitments wherein we have focused on methods and means to 'enrich' the lives of all those who come into contact with us.

It is our vision to be a catalyst that spurs the transformation of the lives of the farmers, the local communities where we work, of our employees, and the agriculture sector at large. We drive this vision relentlessly, anchored by our core values and embodied in our pursuit for excellence and in our quest for innovation.

This theme reflects our commitment to our stakeholders and is amply summarized in our mission statement where we express our concern for our people and the planet. It forms our behavioral foundation and is part of the spirit of Fatima Fertilizer. It also guides us and shapes the essence of our company culture, while keeping us together as a team and re-affirming what we stand for.

Contents

Year at a Glance

Fertilizer Production +13%
1,104
(MT in '000)

Fertilizer Sales +14%
1,117
(MT in '000)

Revenue +13%
33,496
(PKR in Million)

Profit after Tax +31%
8,022
(PKR in Million)

Earnings per share +34%
3.82
(Rupees per share)

Dividend +25%
2.50
(Rupees per share)

Contribution to National Exchequer +25%
6,508
(PKR in Million)

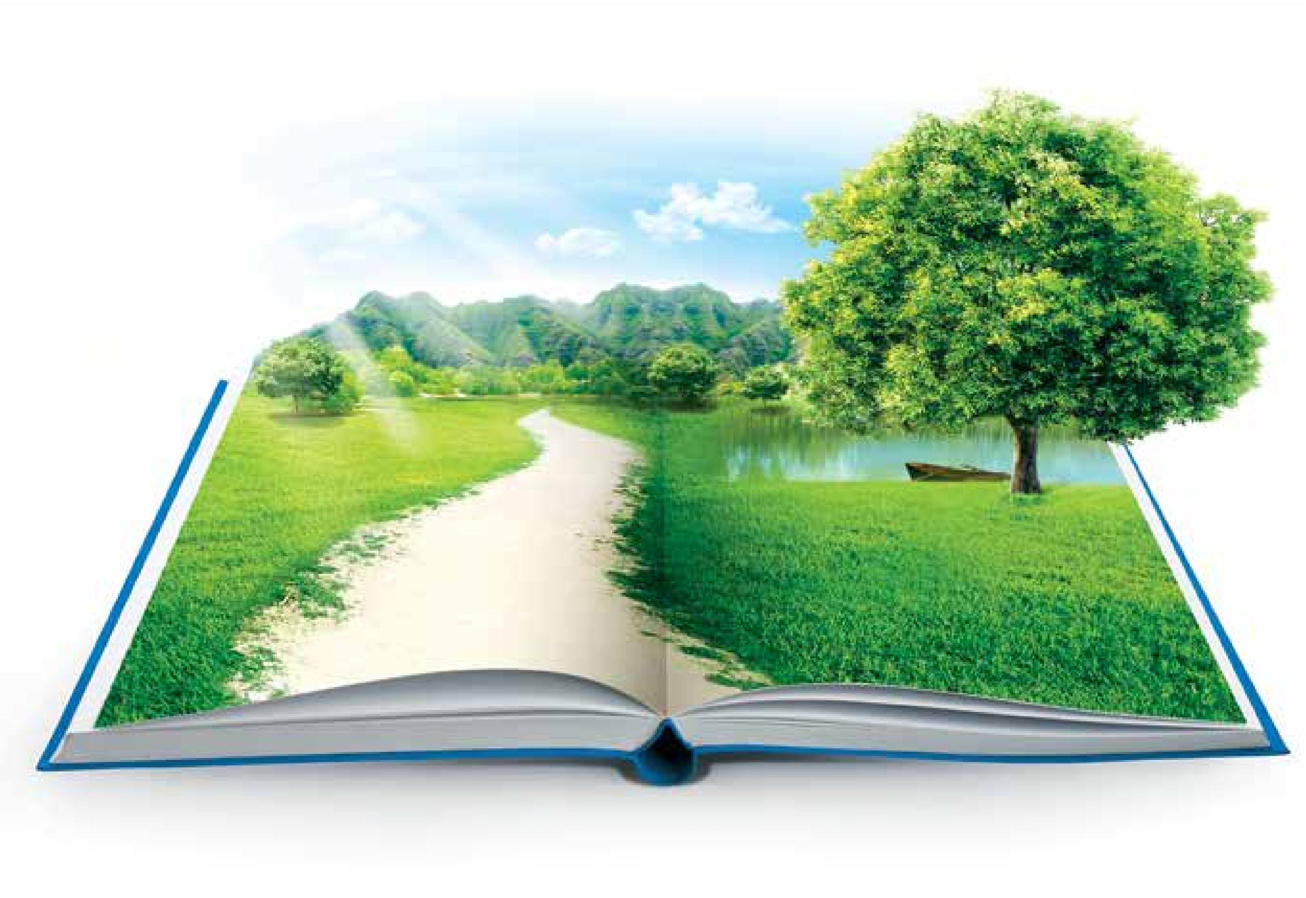
Return on Capital Employed +40%
14.48
(Percentage)

Nurturing Creativity

Our Vision and Mission

Vision

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



Mission

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

Core Values

Inspiring Commitment

Integrity

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

Innovation

We encourage creativity and recognize new ideas

Teamwork

We work collectively towards a common goal

Safety, Health, Environment & CSR

We care for our people and the communities around us

Customer Focus

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

Excellence

We strive to excel in everything we do

Valuing People

We value our people as our greatest resource

Code of Conduct

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

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

Ethics and Business Practices

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

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

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

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

Assets and Proprietary information

WE consider our Company's assets, both physical and intellectual, very valuable. We have, therefore an obligation

to protect these assets in the interest of the Company and its shareholders.

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

Relations with Business partners

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

Our Employees

WE believe that highly engaged employees are the key ingredient in professional development and business success. Therefore, we invite our employees to contribute their best and to avail the opportunities for improvement and growth.

We are an equal opportunity employer and promote gender diversity, self-development and innovation. We provide employees with tools, techniques, and training to master their current jobs, broaden their skills, and advance their career goals.

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

Nourishing Soils

Profile of the Company

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

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

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

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

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

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

Company Information

Board of Directors

Mr. Arif Habib
Chairman
Mr. Fawad Ahmed Mukhtar
Chief Executive Officer
Mr. Fazal Ahmed Sheikh
Mr. Faisal Ahmed Mukhtar
Mr. M. Abad Khan
Mr. Muhammad Kashif Habib
Mr. Jørgen Nergaard Gøl
Mr. Tariq Jamali
Nominiee Director-NBP

Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Javed Akbar
Head of Procurement

Mr. Fuad Imran Khan
Chief Information Officer

Audit Committee

Mr. Muhammad Kashif Habib
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Tariq Jamali
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Jørgen Nergaard Gøl
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Legal Advisors

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

Auditors

M. Yousuf Adil Saleem & Company
Chartered Accountants, Multan.
(A member firm of Deloitte Touche Tohmatsu)
Abdali Tower, First Floor,
77-Abdali Road, Multan.
UAN: +92 (0) 61 111-55-2626
Ph: +92 (0) 61 4511979, 4785211-13
Fax: +92 (0) 61 4785214
Web: 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 Shahra-e-Faisal
Karachi-74400.
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Bankers

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

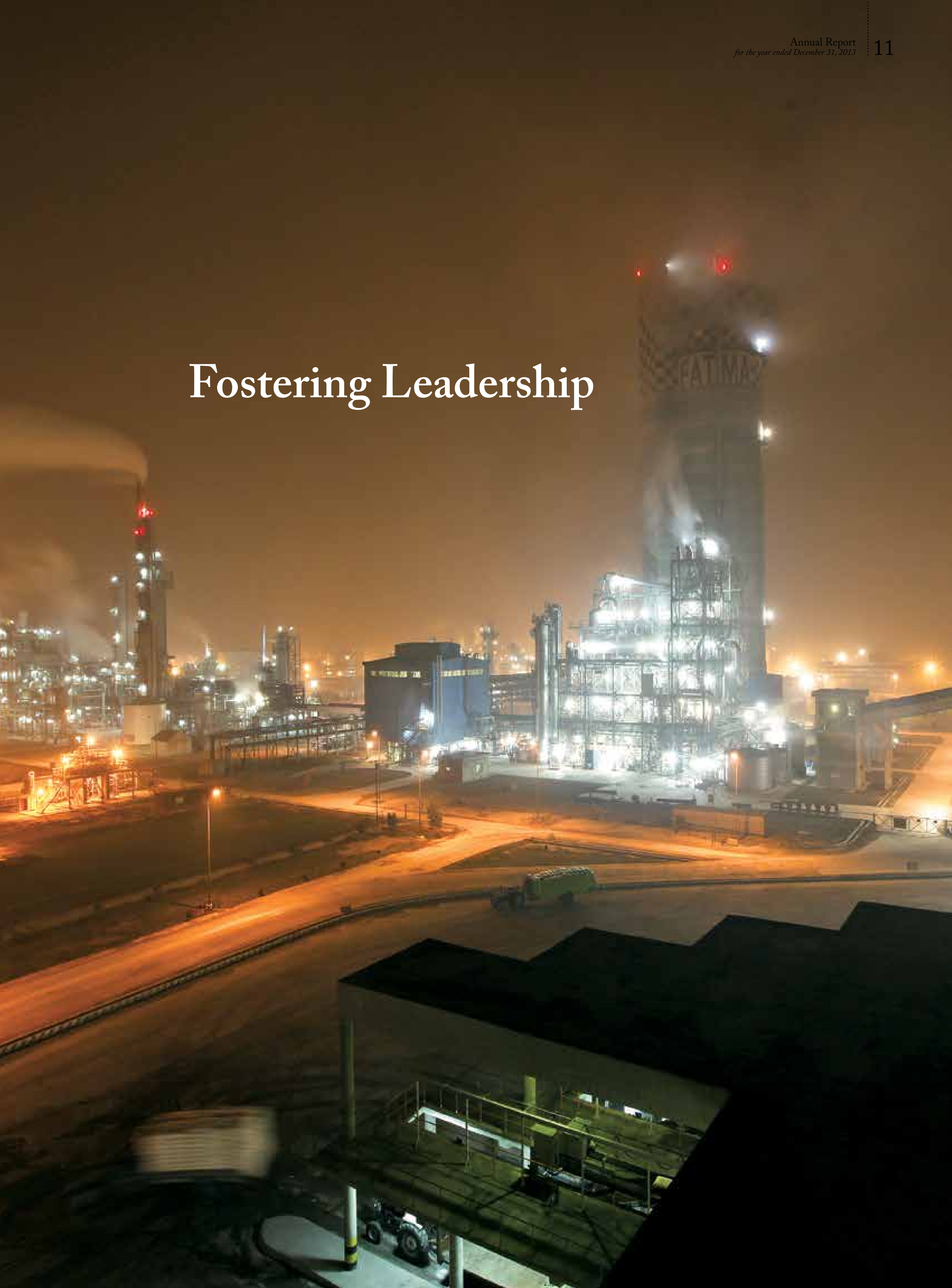
Registered Office / Head Office

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

Plant Site

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

Fostering Leadership



Profiles of the Directors

Mr. Arif Habib
Chairman

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

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

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

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has rich experience of manufacturing and industrial management. Following his graduation he has spent 30 years in developing his family business into a sizeable conglomerate. Mr. Fawad Mukhtar leads several community service initiatives of his group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School, Mukhtar A. Sheikh Welfare Trust etc. He also holds the following portfolios:

Chairman

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

CEO

- Pakarab Fertilizers Limited

Member

- Board of Governor “National Management Fund” - Parent body of LUMS

Mr. Fazal Ahmed Sheikh
Executive Director

Mr. Fazal Ahmed Sheikh is a Director of the Company. He holds a degree in Economics from the University of Michigan, Ann Arbor, USA. He has played a strategic role in Fatima Group's expansion and success. He also holds the following portfolios:

CEO

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

Director

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

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

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

Chairman

- Workers Welfare Board - Pakarab Fertilizers Limited

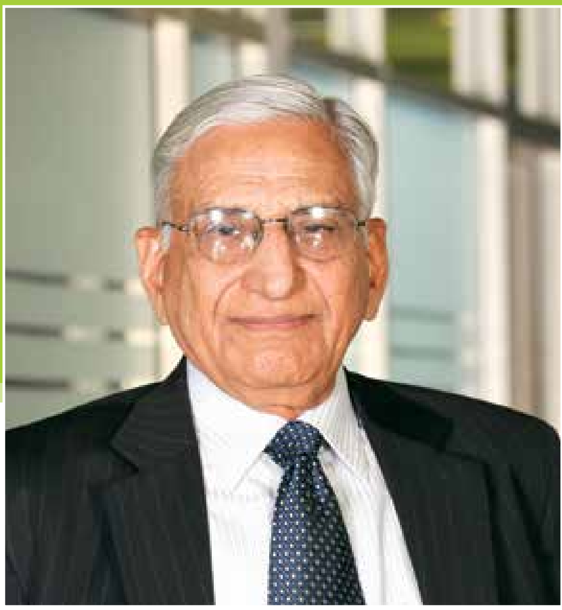
Director

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

Member

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

Profiles of the Directors



Mr. M. Abad Khan
Executive Director

Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in Fertilizer operations from abroad. Over the last 55 years, he has been part of most of growth of fertilizer industry in Pakistan.

He was part of the team that commissioned Pakistan's first Urea Plant under the aegis of PIDC. He served with Exxon Chemical Pakistan Ltd. for 15 years mostly at senior management positions in manufacturing. He led Fauji Fertilizer Co. manufacturing for 14 years as General Manager Plant. Here he organized and established systems and procedures to lead the Plant to world standards. Plant capacity increased more than double by the time of his retirement.

In 2001, when Fauji Fertilizer Bin Qasim Company faced serious challenges, he was called in to head the manufacturing. Under his leadership for 4 years, production and reliability improved to design level and a major revamp of 25% over design capacity was conceived, planned and ordered which was later implemented with great success. He has been with Fatima Group for 8 years and played significant role in establishment of Fatima Fertilizer plant.

During the course of a long career, he had extensive international exposures through seminars, symposiums and trainings including the one at Harvard Business School.

Mr. Muhammad Kashif Habib
Non-Executive Director

Mr. Muhammad Kashif Habib is a Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan (ICAP) and has completed his mandatory Articles with M/s. A. F. Ferguson & Co. Chartered Accountants.

He is the CEO of Power Cement Co. Limited and Safe Mix Concrete Products Limited. He is also director of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Javedan Corporation Limited, Aisha Steel Mills Limited, Arif Habib REITS Management Limited, Rotocast Engineering (Pvt) Limited, Memon Health & Education Foundation, and the Chief Executive of Al-Abbas Cement Industries Limited.

Mr. Jørgen Nergaard Gøl
Non-Executive Director

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

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

As from January 2006, he was appointed Vice President of Marketing & Sales in the Technology Division and after an internal reorganisation, Vice President, Syngas Technology Business Unit as of June 2009. As of April 2012, he has been appointed as Group Vice President of the Chemical Business Unit in Haldor Topsøe A/S.

Mr. Tariq Jamali
Nominee Director - NBP

Mr. Tariq Jamali is SEVP & Group Chief Commercial & Retail Banking Group at National Bank of Pakistan. He has been the Group Chief Compliance since 2009. He joined NBP in 1987 and has held numerous Senior Management positions at Regional and Head Office levels. He has an overall working experience of more than 23 years at different key positions. He holds an MBA degree from University of Dallas.

Board Structure and Committees

Board Structure

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

The Board provides leadership and strategic guidance to the Company, oversees the conduct of business and promotes the interests of all stakeholders. It reviews corporate policies, overall performance, accounting and reporting standards and other significant areas of management, corporate governance and regulatory compliance. It also reviews and approves the annual budget and 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. Majority of the members of the Audit Committee are non-executive including the Chairman. The members are:

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

Terms of Reference

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

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

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

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

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

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

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

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

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

l) determination of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

Composition

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

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

Terms of Reference

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

1. Duties and Responsibilities

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

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

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

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

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

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

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

2. Reporting Responsibilities

2.1 the Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;

2.2 the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

2.3 the Committee shall, if requested by the Board, compile a report to shareholders on its activities to be included in the Company's Annual Report.

3. Authorities and Powers

The Committee is authorised and empowered:

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

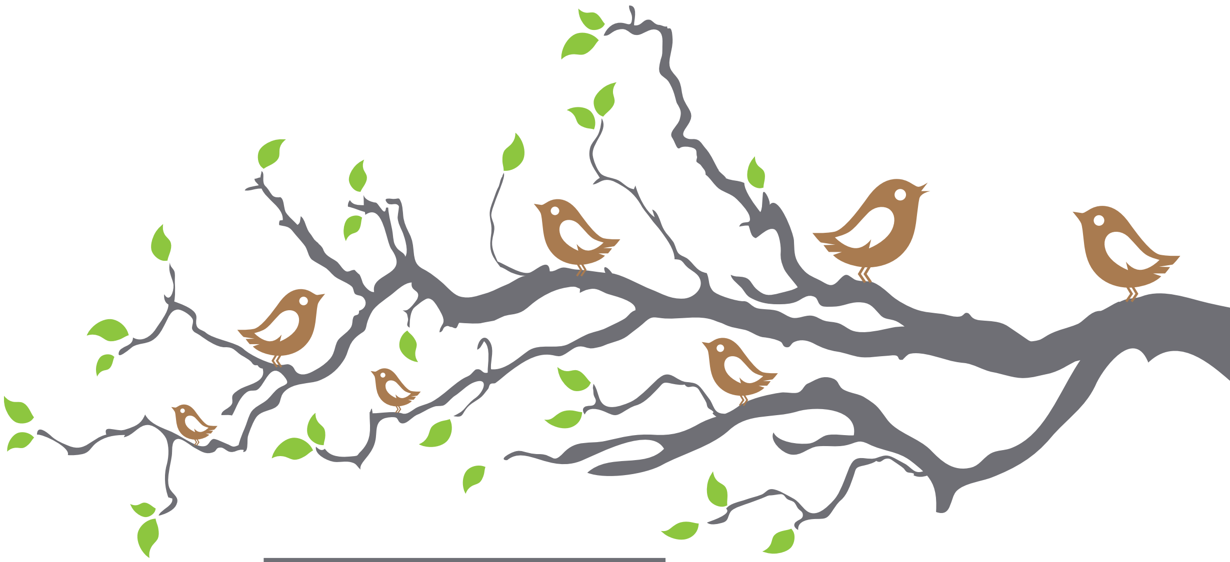
3.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and

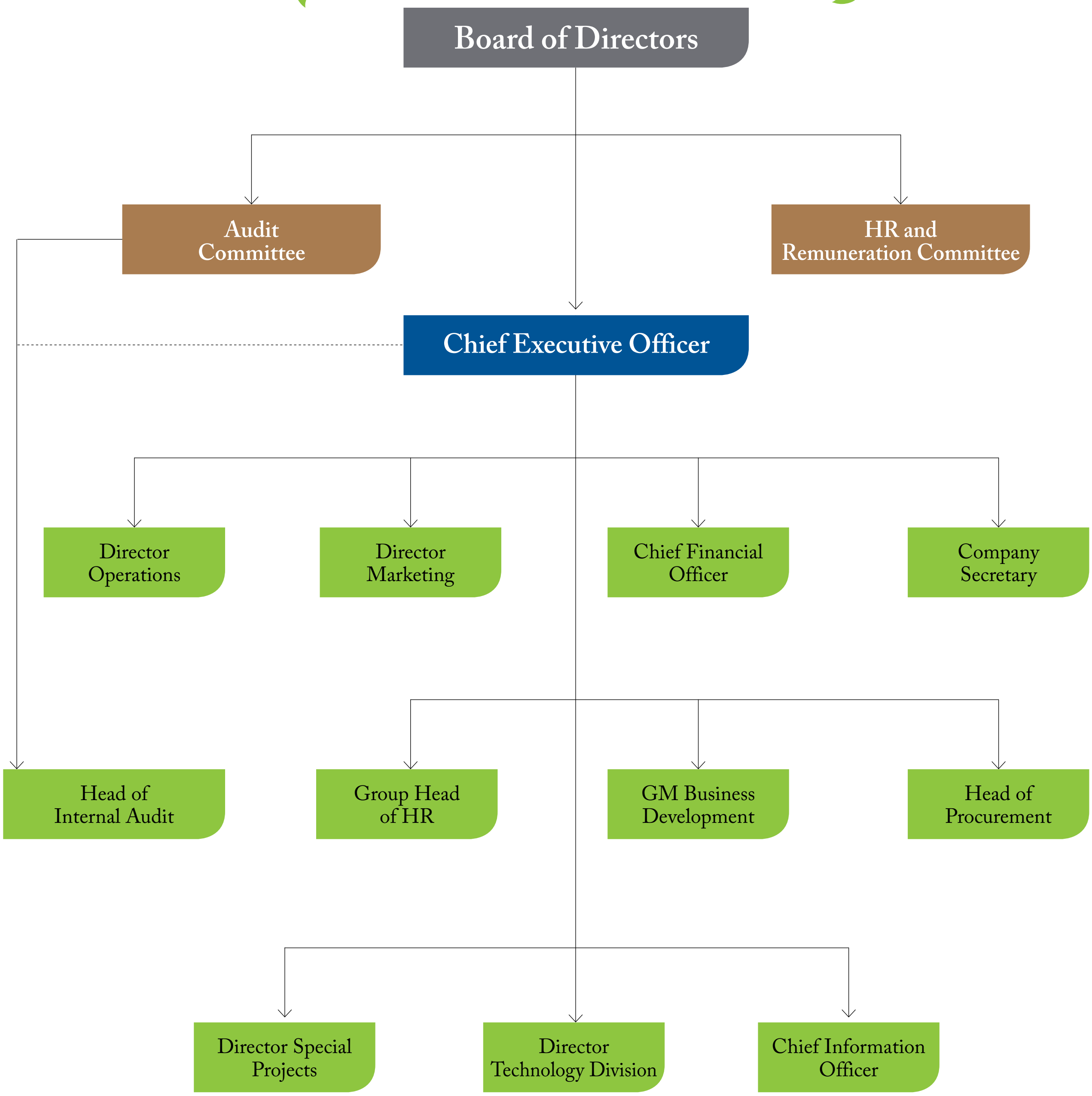
3.3 to call any employee to be questioned at a meeting of the Committee as and when required.

Landmark Events

December 2003	Company Incorporation
September 2004	Gas Allocation
July 2005	GSA Signing
April 2006	Ground Breaking
November 2006	Financial Closure Achieved
October 2009	Ammonia Furnace 1st Fire
November 2009	CAN Plant Production
January 2010	Initial Public Offering
February 2010	Ammonia Plant Production
March 2010	Urea Plant Production
April 2010	NA Plant Production
April 2011	NP Plant Production
July 2011	Declaration of Commercial Operations
May 2012	Conversion and Redemption of Preference Shares
Jan 2013	Ammonia Revamp Study completed
May 2013	Basic Engineering Design contract for Ammonia Revamp awarded

Organizational Chart





Profiles of the Management

Mr. Arif-ur-Rehman
Director Operations

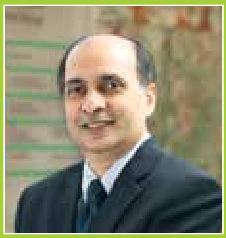
Mr. Arif-ur-Rehman joined Fatima Fertilizer Company Limited in early 2007 and led the project successfully as Project Director. After project commissioning, he is now leading Manufacturing Division as 'Director Operations'. He is a Chemical Engineer with 32 years of experience in the fertilizer and petrochemical industries. His experience includes tenures with Fauji Fertilizer plant in Goth Macchi where he was part of a successful project team, Fauji Fertilizer Bin Qasim plant and ICI PTA Bin Qasim plant.

Mr. Muhammad Zahir
Director Marketing

Mr. Muhammad Zahir holds a Master's degree in Business Administration from the Institute of Business Administration, University of Karachi. He spent 29 years with ICI Pakistan working in its various businesses and the Human Resource Function. He was VP Paints Business, VP Life Sciences Business and VP HR. He served as an Executive Director on the Board of ICI Pakistan and on the Board of CIC Paints, Sri Lanka. He has diverse experience in businesses including Paints, Polyester fiber, Chemicals, Agrochemicals, Pharmaceuticals, seeds and Animal health.

Mr. Asad Murad
Chief Financial Officer

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In his over 17 years' career, he has held various senior management positions in the areas of financial management, strategic business planning, risk management and corporate compliance. He has also served as Chief Financial Officer at Honda Atlas Cars (Pakistan) Limited, a subsidiary of Honda Motor Company, Japan. He joined Fatima Group in 2010 as Head of Internal Audit before being appointed to his current position as Chief Financial Officer of the Company.

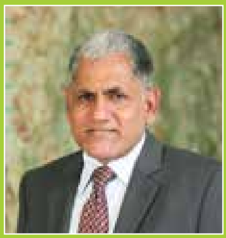


Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Ausaf Ali Qureshi is a Fellow Member of Institute of Chartered Accountants of Pakistan. He joined the Group in May 2010 as Company Secretary with additional responsibility for investor relations. He has over 29 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol-Myers Squibb (BMS). In his over 20 years' career at BMS, he held various senior management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.

Mr. Haroon Waheed
Group Head of HR

Mr. Haroon Waheed has done his LLM from Monash University, Melbourne, Australia. He has over 21 years of national and international broad based functional business experience with Unilever and has been associated with Pakistan Society of HR Management as President. Haroon also represents in the HR, management and leadership development conferences at national level. He won the International HR Leadership Award in London and Talent Management Award in Singapore in 2010.



Mr. Iftikhar Mahmood Baig
GM Business Development

Mr. Iftikhar Mahmood Baig is serving as GM Business Development at Fatima Group. He is also director of Reliance Sacks Limited, Pakistan Mining Company Limited and member of the Workers Welfare Board- Pakarab Fertilizers Limited. He is a Fellow member of Institute of Chartered Secretaries and Managers of Pakistan. Mr. Baig is associated with Fatima Group since 1996 and has held various senior level management positions. He has over 30 years of experience in new venture development, Corporate, Finance, Government Relations and Strategic Planning.

Mr. Javed Akbar
Head of Procurement

Mr. Javed Akbar is a Mechanical Engineer from NED University of Engineering and Technology Karachi, and also did his graduation in computer science from university of Mississippi, USA. He brings with him an experience of around 27 years, out of which more than 17 years is in the area of supply chain with multinational companies in Pakistan including Philips, Alcatel, Mobilink and PTCL. He has attended International Training Course on management and leadership from world renowned institutions like Insead, Harvard and MIT.

Mr. Qadeer Ahmed Khan
Director Special Projects

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

Mr. Ahsen-ud-Din
Director Technology Division

Mr Ahsen-ud-din has around 32 years of professional experience with leading companies like Engro Corporation (formerly Exxon Chemical Pakistan) , Fauji Fertilizer and Kuwait National Petroleum. During his career Mr Ahsen-ud-din has a track record of executing multimillion dollar petrochemical and fertilizer projects and efficiently managing fertilizer and petrochemical manufacturing facilities with world class HSE performance.

Mr. Fuad Imran Khan
Chief Information Officer

Mr. Fuad Imran Khan holds a Ph.D. Degree in Computer Information and Control Engineering and a Master's degree in Electrical and Computer Engineering from University of Michigan USA and has a Bachelor's degree in Electrical Engineering from Massachusetts Institute of Technology. He has worked as Head of Information Technology at Roshan Afghanistan and PTCL. Mr. Fuad's last assignment was with Warid Telecom as their Chief Information Officer.

Notice of 11th Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Wednesday, April 30, 2014 at 10:30 a.m. at Royal Palm Golf and Country Club, 52-Canal Bank Road, Lahore to transact the following business:

Special Business

1. To consider and approve acceptance of early repayment of PKR 3 billion loan extended to associated company namely Pakarab Fertilizers Limited by December 31, 2014 and to pass the following Special Resolution(s) with or without modification(s):

   "**Resolved**, that the Company be and is hereby authorized to accept prepayment, in one or more installments, of the entirety of the PKR 3 billion loan from Pakarab Fertilizers Limited ("PFL") by December 31, 2014 in accordance with the requirements of section 208 of the Companies Ordinance, 1984 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012.

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

2. To consider and approve equity investment and/or investment in any other form (including provision of guarantees/security/non-funded facilities) of an aggregate amount of up-to USD 300 million in Midwest Fertilizer Corporation, a Delaware Corporation which plans to convert itself into a Delaware Limited Liability Company ("MFC"), directly or through special purpose off-shore vehicle(s) incorporated for such investment, in compliance with the provisions of section 208 of the Companies Ordinance, 1984 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 and to pass the following Special Resolution(s) with or without modification(s):

   "**Resolved,** that pursuant to the provisions of the Companies Ordinance, 1984 and other applicable laws, if any and subject to the approval/consent of such appropriate authorities including that of State Bank of Pakistan, where necessary, the Company be and is hereby authorized to make:

a) equity investment, of up-to USD 300 million ("Investment Amount") over a four (4) year period, in one or more installments, in Midwest Fertilizer Corporation, a Delaware Corporation which plans to convert itself into a Delaware Limited Liability Company (hereinafter referred to as "MFC"), either directly or through offshore special purpose vehicle(s) incorporated for such investment; and

b) any other form of investment, including provision of guarantees, security and/or non-funded facilities, to or on behalf of MFC, either directly or through offshore special purpose vehicle(s) incorporated for such investment over a 4 year period at rates of interest/markup not less than the borrowing cost of the Company, provided that any such investment together with the equity investment does not exceed the Investment Amount in the aggregate.

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

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on June 29, 2013.
2. To receive, consider and adopt the audited financial statements of the Company together with the directors' and auditors' reports thereon for the year ended December 31, 2013.
3. To consider and approve final cash dividend for the year ended December 31, 2013 at Rs. 2.50 per share i.e., 25% as recommended by the Board of Directors.
4. To elect Directors of the Company for a period of three years commencing from May 01, 2014 to April 30, 2017 in terms of section 178 of Companies Ordinance, 1984.

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

b. Pursuant to Section 178(2)(b) of the Companies Ordinance, 1984, the names of the retiring Directors are:

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

5. To appoint Auditors for the year ending December 31, 2014 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s M. Yousuf Adil Saleem & Co. Chartered Accountants, as external auditors.

Other Business

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

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting out the material facts concerning the special business is given on page No. 108.

By order of the Board

Asad Murad
Chief Financial Officer

Lahore:
April 09, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from April 24, 2014 to April 30, 2014 (both days inclusive). Transfers received in order at the office of our Share Registrar/Transfer Agent, M/s. Central Depository Company of Pakistan Limited by the close of business on April 23, 2014 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.
4. The members are requested to notify change in their address, if any, at 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.

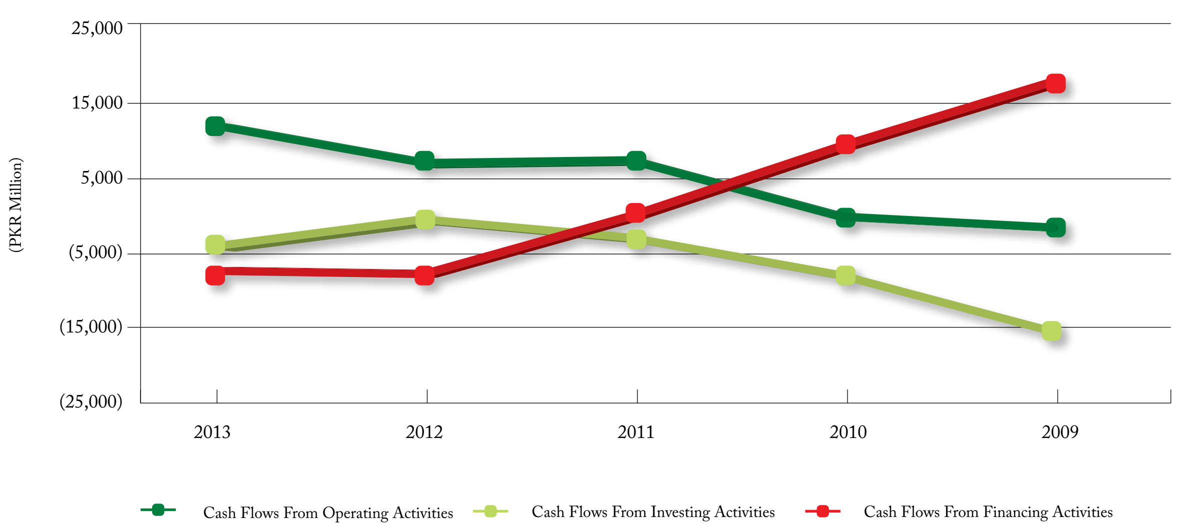
Key Performance Indicators

		2013	2012	2011
PROFITABILITY				
Gross profit	%	59.06	58.49	67.77
EBITDA	%	53.80	55.35	66.48
Operating profit	%	49.23	50.32	61.69
Profit before tax	%	36.78	30.76	41.04
Net profit	%	23.95	20.70	27.75
Return on equity	%	24.49	21.11	14.68
Return on capital employed	%	14.48	10.38	6.36
Return on total assets	%	10.12	8.04	5.39
LIQUIDITY / ACTIVITY				
Current ratio	Times	0.76	0.68	0.84
Quick / Acid test ratio	Times	0.58	0.47	0.71
Debt to assets	Times	0.59	0.62	0.63
Cash from operations to sales	Times	0.37	0.24	0.50
Inventory turnover	Times	5.26	6.58	3.64
Stock holding period	Days	69.34	55.45	49.72
Fixed assets turnover	Times	0.49	0.43	0.22
Total assets turnover	Times	0.43	0.39	0.20
CAPITAL STRUCTURE				
Debt : Equity		47:53	52:48	57:43
Interest cover	Times	3.96	2.57	2.99
Financial leverage	Times	0.94	1.27	1.42
Debt service coverage	Times	2.18	1.86	3.22
Total liabilities to net worth	Times	1.42	1.63	1.72
Weighted average cost of debt	%	12.34	15.33	15.98
INVESTMENT / MARKET				
Market price per share	Rs	28.56	26.40	22.92
Book value per share	Rs	15.60	13.79	14.03
Market to book value per share	Times	1.83	1.92	1.63
Basic earnings per share	Rs	3.82	2.86	1.90
Diluted earnings per share	Rs	3.82	2.86	1.85
Price earning	Times	7.48	9.23	12.06
Dividend per share - proposed	Rs	2.50	2.00	1.50
Dividend cover	%	153	143	127
Dividend yield	%	8.75	7.58	6.54
Dividend payout	%	65.44	69.93	78.95

Cash Flows Summary

	2013	2012	2011	2010	2009
			PKR in Million		
Cash flows from operating activities					
Cash generated from / (used in) operations	18,725	13,770	10,922	(323)	(1,948)
Finance costs paid	(5,865)	(6,532)	(3,166)	(9)	(7)
Taxes paid	(614)	(285)	(282)	(22)	(12)
Employee retirement benefits paid	(14)	(12)	(8)	(28)	(3)
Net cash inflow / (outflow) from operating activities	**12,231**	**6,941**	**7,466**	**(381)**	**(1,970)**
Cash flows from investing activities					
Fixed capital expenditure	(1,584)	(949)	(386)	(3,695)	(13,176)
Long term investments	-	(85)	-	-	-
Short term loan to associated company	(3,000)	-	-	-	-
Finance costs paid	-	-	(3,311)	(5,153)	(3,530)
Proceeds from disposal of property, plant and equipment	-	-	-	1	-
Net proceeds from disposal of short term investments	39	-	2	-	-
Net decrease / (increase) in long term loans and deposits	1	(6)	28	(8)	(3)
Profit received on saving accounts	11	76	30	-	-
Net Cash Used in Investing Activities	**(4,532)**	**(965)**	**(3,637)**	**(8,855)**	**(16,709)**
Cash flows from financing activities					
Redemption of preference shares	-	(2,000)	-	-	-
Proceeds / advances received against preference shares	-	-	-	102	3,898
Proceeds from share deposit money	-	-	-	2,790	2,491
Cost of issue of share capital	-	-	-	(110)	-
Repayment of long term finance	(4,085)	(16,879)	-	-	-
Proceeds from long term finance	1,562	10,498	44	6,198	12,498
Dividend paid - ordinary shares	(4,197)	(2,993)	-	-	-
- Preference shares	(1,337)	(149)	-	-	-
(Decrease) / increase in short term finance - net	(388)	2,690	(316)	316	-
Decrease in bills payable	-	-	-	-	(464)
Net cash (outflow) / inflow from financing activities	**(8,445)**	**(8,832)**	**(273)**	**9,295**	**18,424**
(Decrease) / increase in cash and cash equivalents	(746)	(2,855)	3,556	59	(255)
Cash and cash equivalents at beginning of the year	984	3,839	283	224	479
Cash and cash equivalents at end of the year	**238**	**984**	**3,839**	**283**	**224**

Cash Flows from Operating, Investing & Financing Activities



Balance Sheet - Vertical Analysis

	2013		2012		2011		2010		2009	
										PKR in Million
Non current assets	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Property, plant and equipment	65,695	82.9%	65,883	86.7%	66,828	87.5%	876	1.3%	685	1.2%
Intangible assets	43	0.1%	34	-	-	-	-	-	-	-
Capital work in progress	1,893	2.4%	1,662	2.2%	1,288	1.7%	64,044	92.2%	54,293	94.9%
Deferred tax asset	-	-	-	-	-	-	22	-	-	-
Long term investments	85	0.1%	85	0.1%	-	-	-	-	-	-
Long term loans and deposits	10	-	11	-	5	-	16	-	8	-
Total non current assets	**67,726**	**85.4%**	**67,676**	**89.0%**	**68,121**	**89.2%**	**64,958**	**93.5%**	**54,986**	**96.1%**
Current assets										
Stores and Spares	3,850	4.9%	3,231	4.3%	1,931	2.5%	2,479	3.6%	1,143	2.0%
Stock in trade	2,702	3.4%	2,508	3.3%	1,215	1.6%	540	0.8%	-	-
Trade debts	99	0.1%	138	0.2%	196	0.3%	257	0.4%	-	-
Short term loan to associated company	3,000	3.8%	-	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	1,674	2.1%	1,468	1.9%	1,045	1.4%	940	1.4%	849	1.5%
Cash and bank balances	238	0.3%	984	1.3%	3,839	5.0%	283	0.4%	224	0.4%
Total current assets	**11,564**	**14.6%**	**8,329**	**11.0%**	**8,226**	**10.8%**	**4,499**	**6.5%**	**2,216**	**3.9%**
Total assets	**79,290**	**100.0%**	**76,005**	**100.0%**	**76,347**	**100.0%**	**69,457**	**100.0%**	**57,202**	**100.0%**
Capital and reserves										
Issued, subscribed and paid up capital	21,000	26.5%	21,000	27.6%	20,000	26.2%	20,000	28.8%	18,000	31.5%
Preference shares	-	-	-	-	4,000	5.2%	4,000	5.8%	-	-
Share premium	1,790	2.3%	1,790	2.4%	790	1.0%	790	1.1%	-	-
Accumulated profit / (loss)	9,969	12.6%	6,158	8.1%	3,263	4.3%	(531)	-0.8%	(257)	-0.4%
Total capital and reserves	**32,759**	**41.3%**	**28,948**	**38.1%**	**28,053**	**36.7%**	**24,259**	**34.9%**	**17,743**	**31.0%**
Non current Liabilities										
Long term finance	22,647	28.6%	27,024	35.6%	34,457	45.1%	37,446	53.9%	30,846	53.9%
Dividend and markup payable to related parties	-	-	2,918	3.8%	2,217	2.9%	844	1.2%	-	-
Deferred liabilities	8,609	10.9%	4,844	6.4%	1,809	2.4%	74	0.1%	54	0.1%
Advance against preference shares	-	-	-	-	-	-	-	-	3,898	6.8%
Total non current liabilities	**31,256**	**39.4%**	**34,785**	**45.8%**	**38,483**	**50.4%**	**38,364**	**55.2%**	**34,798**	**60.8%**
Current liabilities										
Trade and other payables	6,651	8.4%	4,997	6.6%	4,651	6.1%	3,704	5.3%	1,662	2.9%
Accrued finance cost	383	0.5%	499	0.7%	1,891	2.5%	2,749	4.0%	2,596	4.5%
Short term finance - secured	2,303	2.9%	2,690	3.5%	-	-	316	0.5%	-	-
Current portion of long term finance	5,938	7.5%	4,085	5.4%	3,033	4.0%	-	-	402	0.7%
Provision for taxation	-	-	-	-	236	0.3%	65	0.1%	-	-
Total current liabilities	**15,275**	**19.3%**	**12,272**	**16.1%**	**9,811**	**12.9%**	**6,834**	**9.8%**	**4,661**	**8.1%**
Total liabilities and equity	**79,290**	**100.0%**	**76,005**	**100.0%**	**76,347**	**100.0%**	**69,457**	**100.0%**	**57,202**	**100.0%**

Balance Sheet - Horizontal Analysis

	2013	13' vs 12'	2012	12' vs 11'	2011	11' vs 10'	2010	10' vs 09'	2009
									PKR in Million
Non current assets	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Property, plant and equipment	65,695	-0.3%	65,883	-1.4%	66,828	7528.8%	876	27.9%	685
Intangible assets	43	26.1%	34	-	-	-	-	-	-
Capital work in progress	1,893	13.8%	1,662	29.1%	1,288	-98.0%	64,044	18.0%	54,293
Deferred tax asset	-	-	-	-	-	-	22	-	-
Long term investments	85	-	85	-	-	-	-	-	-
Long term deposits	10	-9.8%	11	107.3%	5	-65.7%	16	100.0%	8
Total non current assets	67,726	0.1%	67,676	-0.7%	68,121	4.9%	64,958	18.1%	54,986
Current assets									
Stores and spares	3,850	19.2%	3,231	67.3%	1,931	-22.1%	2,479	116.9%	1,143
Stock in trade	2,702	7.7%	2,508	106.4%	1,215	125.0%	540	-	-
Trade debts	99	-28.4%	138	-29.3%	196	-23.8%	257	-	-
Short term loan to associated company	3,000	-	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	1,674	14.1%	1,468	40.4%	1,045	11.2%	940	10.7%	849
Cash and bank balances	238	-75.8%	984	-74.4%	3,839	1256.5%	283	26.3%	224
Total current assets	11,564	38.8%	8,329	1.3%	8,226	82.8%	4,499	103.0%	2,216
Total assets	79,290	4.3%	76,005	-0.4%	76,347	9.9%	69,457	21.4%	57,202
Capital and reserves									
Issued, subscribed and paid up capital	21,000	-	21,000	5.0%	20,000	-	20,000	11.1%	18,000
Preference shares	-	-	-	-	4,000	-	4,000	-	-
Share premium	1,790	-	1,790	126.6%	790	-	790	-	-
Accumulated profit / (loss)	9,969	61.9%	6,158	88.7%	3,263	-714.5%	(531)	106.6%	(257)
Total capital and reserves	32,759	13.2%	28,948	3.2%	28,053	15.6%	24,259	36.7%	17,743
Non current liabilities									
Long term finance	22,647	-16.2%	27,024	-21.6%	34,457	-8.0%	37,446	21.4%	30,846
Dividend and markup payable to related parties	-	-	2,918	31.6%	2,217	162.7%	844	-	-
Deferred liabilities	8,609	77.7%	4,844	167.8%	1,809	2344.4%	74	37.0%	54
Advance against preference shares	-	-	-	-	-	-	-	-	3,898
Total non current liabilities	31,256	-10.1%	34,785	-9.6%	38,483	0.3%	38,364	10.2%	34,798
Current liabilities									
Trade and other payables	6,651	33.1%	4,997	7.4%	4,651	25.6%	3,704	122.9%	1,662
Accrued finance cost	383	-23.2%	499	-73.6%	1,891	-31.2%	2,749	5.9%	2,596
Short term finance - secured	2,303	-14.4%	2,690	-	-	-	316	-	-
Current portion of long term loans	5,938	45.3%	4,085	34.7%	3,033	-	-	-	402
Provision for taxation	-	-	-	-	236	263.4%	65	-	-
Total current liabilities	15,275	24.5%	12,272	25.1%	9,811	43.6%	6,834	46.6%	4,661
Total liabilities and equity	79,290	4.3%	76,005	-0.4%	76,347	9.9%	69,457	21.4%	57,202

Profit and Loss Account - Vertical Analysis

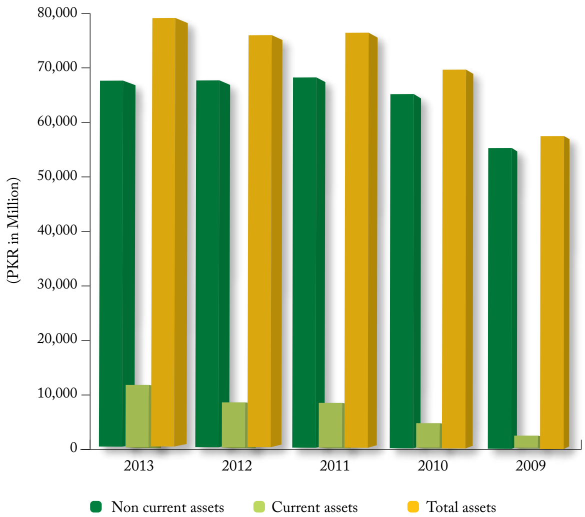
	2013		2012		2011	
	PKR in Million	%	PKR in Million	%	PKR in Million	%
Sales	33,496	100.00	29,519	100.00	14,833	100.00
Cost of sales	(13,713)	-40.94	(12,252)	-41.51	(4,741)	-31.96
Gross profit	19,783	59.06	17,266	58.49	10,092	68.04
Distribution cost	(1,430)	-4.27	(1,234)	-4.18	(338)	-2.28
Administrative expenses	(1,099)	-3.28	(739)	-2.50	(417)	-2.81
	17,254	51.51	15,293	51.81	9,337	62.95
Finance cost	(4,169)	-12.45	(5,774)	-19.56	(3,063)	-20.65
Other operating expenses	(1,010)	-3.02	(506)	-1.71	(320)	-2.16
	12,075	36.05	9,013	30.53	5,954	40.14
Other operating income	246	0.73	67	0.23	134	0.90
Profit before tax	12,321	36.78	9,081	30.76	6,088	41.04
Taxation	(4,298)	-12.83	(2,969)	-10.06	(1,971)	-13.28
Profit for the year	8,022	23.95	6,111	20.70	4,117	27.76

Profit and Loss Account - Horizontal Analysis

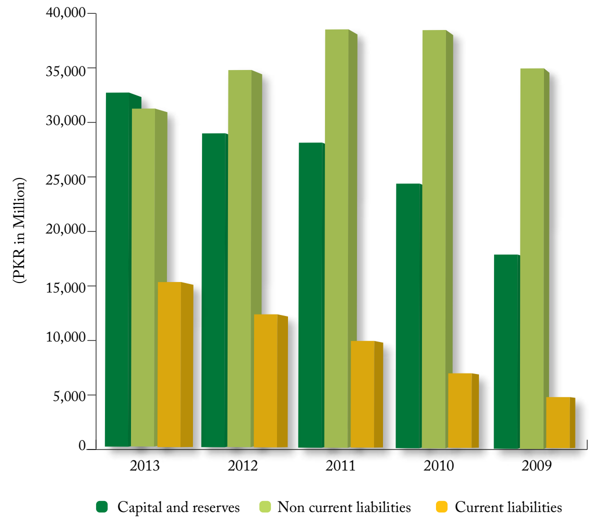
	2013		2012		2011
	PKR in Million	%	PKR in Million	%	PKR in Million
Sales	33,496	13	29,519	99	14,833
Cost of sales	(13,713)	12	(12,252)	158	(4,741)
Gross profit	19,783	15	17,266	71	10,092
Distribution cost	(1,430)	16	(1,234)	265	(338)
Administrative expenses	(1,099)	49	(739)	77	(417)
	17,254	13	15,293	64	9,337
Finance cost	(4,169)	-28	(5,774)	88	(3,063)
Other operating expenses	(1,010)	100	(506)	58	(320)
	12,075	34	9,013	51	5,954
Other operating income	246	267	67	-50	134
Profit before tax	12,321	36	9,081	49	6,088
Taxation	(4,298)	45	(2,969)	51	(1,971)
Profit for the year	8,022	31	6,111	48	4,117

Graphical Presentation

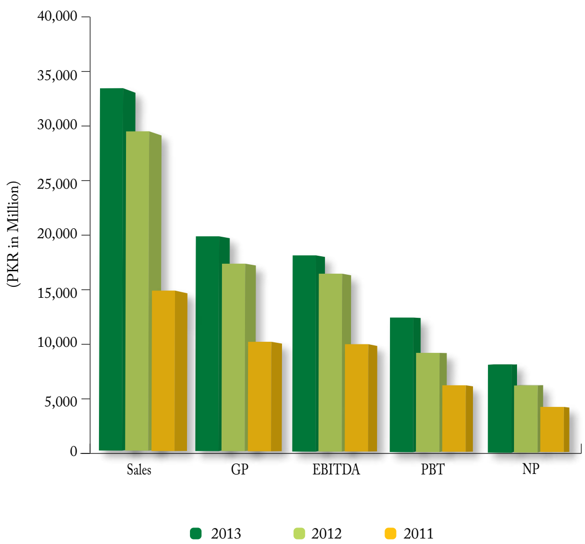
Balance Sheet Analysis (Assets)



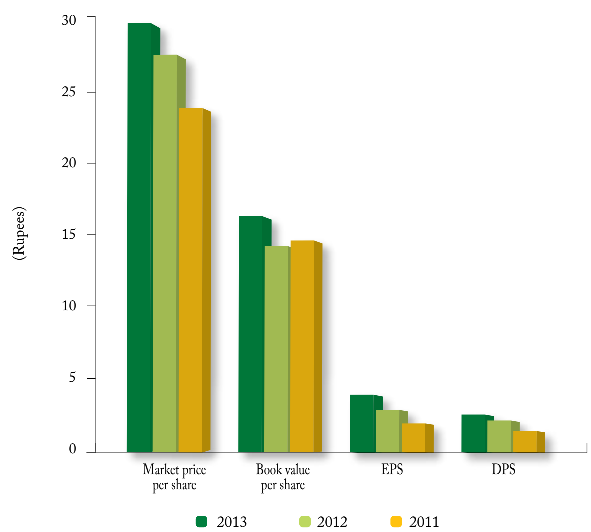
Balance Sheet Analysis (Equity & Liabilities)



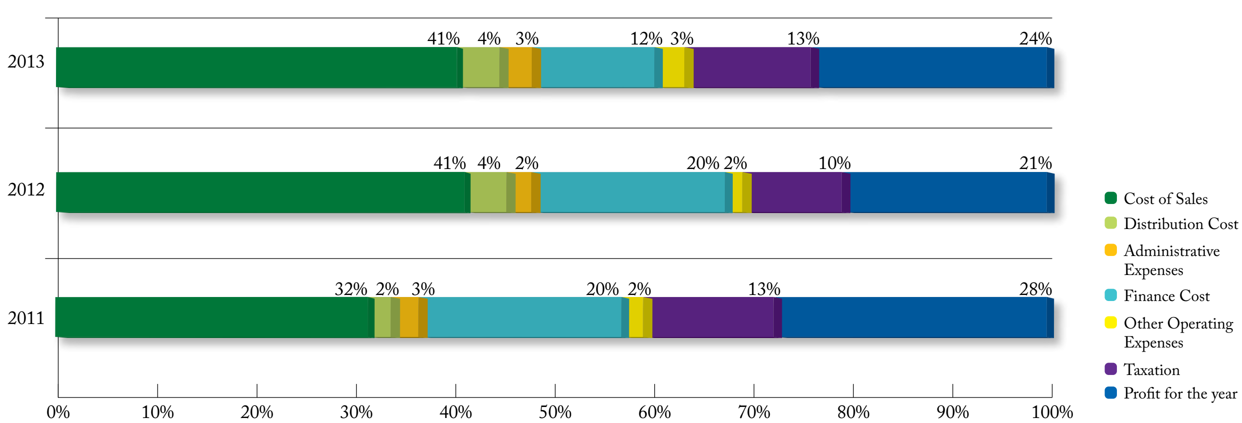
Sales & Margins



Market Price, Book Value, Earnings & Dividend (Per Share)



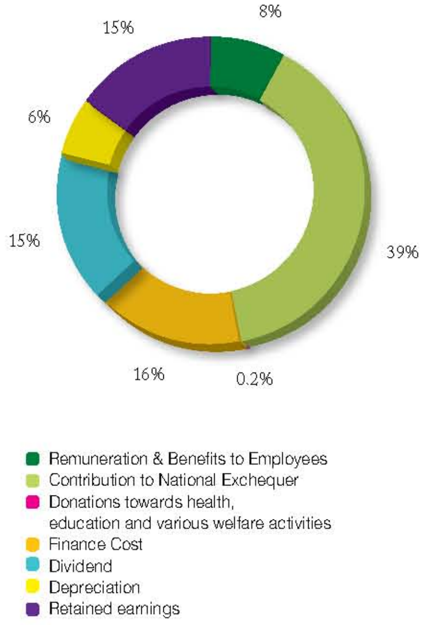
Profit & Loss Analysis



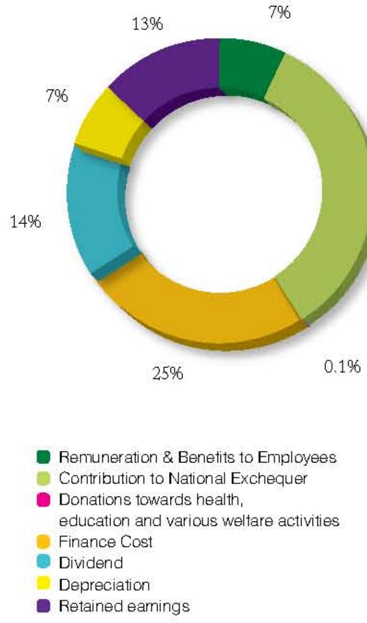
Wealth Generated & Distribution

	2013 PKR in Million	Distribution %	2012 PKR in Million	Distribution %
Wealth Generated				
Gross revenue and other income	39,516	153	34,328	151
Materials and services bought in	13,729	53	11,521	51
	25,787	100	22,807	100
Wealth Distributed				
Remuneration and benefits to employees	1,944	8	1,706	7
Contribution to national exchequer	10,073	39	7,712	34
Donations towards health, education and various welfare activities	48	0.2	18	0.1
Finance cost	4,169	16	5,774	25
Dividend on ordinary and preference shares	4,200	15	3,216	14
Retained for future growth				
Depreciation	1,532	6	1,486	7
Retained earnings	3,822	15	2,895	13
	25,787	100	22,807	100

2013



2012



SWOT Analysis

STRENGTHS

1) Diversified product portfolio i.e. NP, CAN & Urea
2) Manufacturer of cost efficient substitute of DAP
3) Diversified pool of qualified & committed human resource
4) Growing Dealers Network
5) Largest Technical Support team

WEAKNESSES

1) No alternate to single source of natural gas supply
2) New Brand competing against established brands
3) Expensive and imbalanced Logistics support

OPPORTUNITIES

1) Recognition of agriculture's importance by Government
2) Potential to increase per acre consumption of fertilizer
3) Further strengthening of NP and CAN image compared to other fertilizers
4) Capacity enhancement through Revamp of Ammonia Plant
5) International collaborations for business development

THREATS

1) Climate changes and water scarcity impacting agriculture
2) Continuing energy crises
3) Volatile law & order situation

Directors' Report

On behalf of the Board of Directors of Fatima Fertilizer Company Limited, I am pleased to present the Annual Report and the audited financial statements for the year ended December 31, 2013 together with auditors' report thereon and a brief overview of the financial and operational performance of the Company.

Arif Habib - *Chairman*

Fertilizer Market Overview

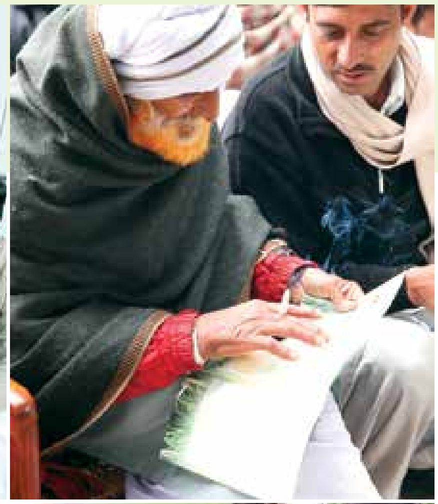
The Urea market in the country grew by 13%, from 5.23 million tons in 2012 to 5.89 million tons in 2013. This increase in sales is primarily attributed to favorable agricultural conditions with firm commodity prices, particularly in cotton and a positive support price for wheat announced for Rabi 2013-14. Conducive weather conditions and normal monsoons supported agricultural activity. Towards the end of the year, there was an increase in advance order booking due to an anticipated price increase, further boosting sales. Availability of the product also increased with domestic urea production at 4.8 million tons, up 16% as compared to last year. This was due to improved availability of gas to some of the plants on the SNGPL network. Our Company's urea sales were positively impacted in line with the nitrogen market whereas CAN sales improved significantly with better stock availability.

The global Phosphate market remained sluggish during the year 2013 and this had an impact on the domestic market. Practically all segments saw significant softening of prices in the wake of weakened global demand. This major impact was triggered by the decline of imports by India. The impact of the Indian rupee weakening has been felt across the world also. This had ramifications on the Indian demand for DAP and in November and December 2013, international DAP prices softened and dropped to a low of USD 350 per ton. Consequently, DAP sales in Pakistan improved by 29%, from 1,190 kt in 2012 to 1,537 kt in 2013. This increase can be attributed to, firstly the affordability of the product for the local farmer, as domestic prices fell by 9% in the last quarter and secondly due to the need for increased DAP application, in view of the fact that the DAP usage in 2011 and 2012 was well below traditional levels and farmers were aspiring for better yields in 2013 with a reasonable support price on wheat. With the significant fall in DAP prices NP prices also registered a drop in tandem. The surge in demand for phosphate fertilizers impacted NP also and hence off take in the fourth quarter was above plan.

Company Overview

The Company sales for NP and Urea remained in line with the production for the year. NP sales in 2013 were at 331kt, up by 13% over last year. Urea sales in 2013 were up by 3% over last year, at 350kt. The sales for both NP and Urea could have been even better if product was available. CAN sales in 2013 were at 437kt, up by a significant 25% compared to last year. This

Directors' Report



increase was due to improved availability of the product with stocks carried forward at the opening of the year.

A review of our operations reveals that our balanced nutrient portfolio is increasingly being recognized as our strength along with our initiatives with the farming community and our focus on the dealer network.

Since its launch in January 2011, our brand "Sarsabz" has steadily built a reputation of quality and reliability among our business associates and farmers. This has been on the back of focused promotional campaigns targeting the selected farmer segment. In 2013 the Company continued with farmer promotions on NP. As a consequence recent independent farmer research reveal a significant increase in brand awareness, which in a short space of three years has reached 90% and a consistent increase in the application of our speciality products NP and CAN. Members of the farming community have testified in the increase in productivity using our products and this has helped us gain market share in the Phosphate category.

We are deeply committed to connecting with the agriculture community to exceed their expectations and building loyalty. We were the title sponsors of the "Dawn Sarsabz Agri Expo 2013", Pakistan's largest agriculture exposition, attended by farmers and all main stakeholders from the Government and the Private sector.

The Company continued to roll out its five year marketing strategy and further intensified its increase in the scale of our technical outreach and extension program for the farmer and the related service community. Over the course of the past one year, our technical team has reached out to our customers through farmer meetings, farm visits and group discussions to demonstrate that Sarsabz fertilizers offer quality balanced nutrient solutions suitable for all soils, all crops and at all stages. We commenced collaboration with various local and international institutes for research and development projects to harness latest technologies and facilitate transfer of knowledge to our farmers whilst supporting new research frontiers. We are the only fertilizer company to produce a television program in collaboration with PTV, featuring top agricultural experts and scientists. These series are geared towards increasing the knowledge of farmers, so as to enable them to improve their yields and profitability in a sustainable manner.

Our work on improving channel health and increasing channel loyalty continued in 2013. Though we increased penetration by another 6% in our dealer network, the main thrust was in developing a balanced portfolio in line with our mission to be the 'preferred fertilizer brand' for our customer network. To bolster their commitment we have taken various initiatives to fulfill their needs. A dealer Call Center was established in 2013 which is a one stop solution for all our customers. Our dealers can call us with their queries, suggestions and for the resolution of their issues. Further, an SMS service has also been initiated to keep our customers updated about their orders status, shipment information and current brand promotions.

We are also the first fertilizer company to have launched a comprehensive Product Stewardship program, where more than 2,000 dealers have been trained on the safe handling and use of fertilizers. The Company has embarked on being part of the IFA 'Protect and Sustain' initiative.

Directors' Report

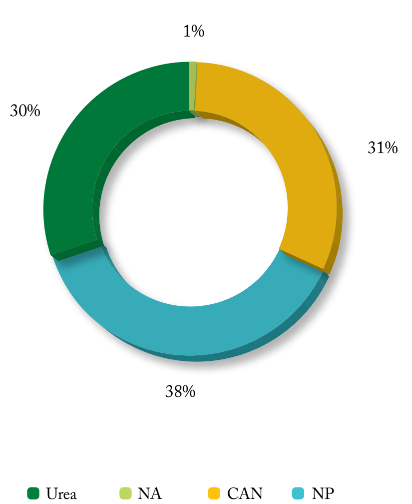
Financial Performance Review

Your Company has continued to improve its performance over last years with significant increase in revenues, margins, unprecedented production achievements on back of smooth operations, resulting in healthy cash generation. This performance was based on concentrated diversification and expansion of distribution network nationwide, strengthened brand, increased demand of products, efficient utilization of resources, controlled expenses and optimum fund utilization on top of efficient operations encompassing impediments of Gas curtailment, plunging rupee parity against international currencies, increase in SBP base rates and continuous supply of heavily subsidized imported fertilizer along with ever rising inflation resulting in higher cost of operations.

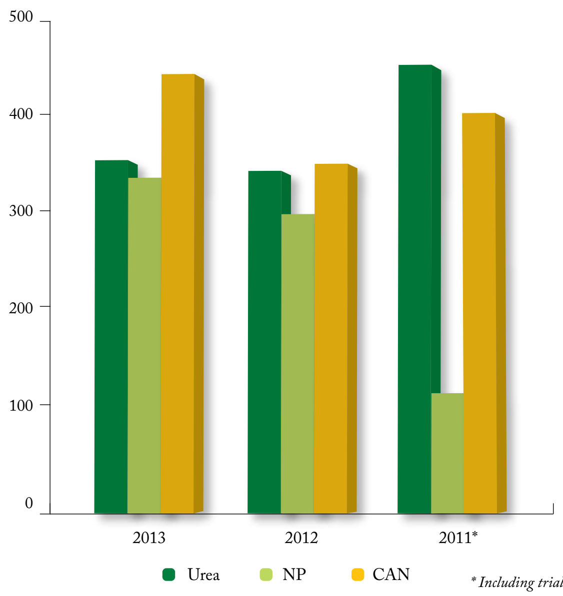
With immense pleasure, we announce that your Company has recorded highest ever after-tax-profit of PKR 8.02 Billion for the year, registering an increase of more than 31% over last year.

Revenues increased to PKR 33.5 Billion as compared PKR 29.5 Billion last year resulting in an increase of 13.5%, mainly due to the improved availability of your Company's products nation-wide along with increased demand. Product wise contribution towards revenue remained tilted towards NP, with 38%, whereas CAN and UREA contributed 31% and 30% respectively. Nitric Acid contribution remained at 1% reflecting sustained and positive demand in the local industry.

Sales Mix



Sales Volume
Metric Tons in '000'



** Including trial run*

Operations

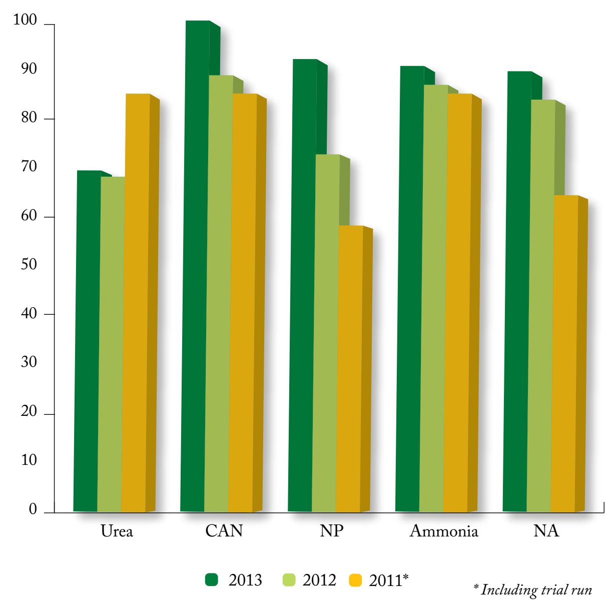
Overall operations remained at the peak during the year resulting in attainment of highest ever total production. Well managed operations led towards 12% increase in total production over last year. Efficient operations and enhanced overall capacity utilization were the result of regular maintenance and turnaround activities undertaken during the year.

Capacity Utilization

(Percentage)

Plant	2013	2012	2011
Urea	70	68	85
CAN	100	89	85
NP	92	73	59
Ammonia	91	87	85
NA	90	84	65

Capacity Utilization
Percentage



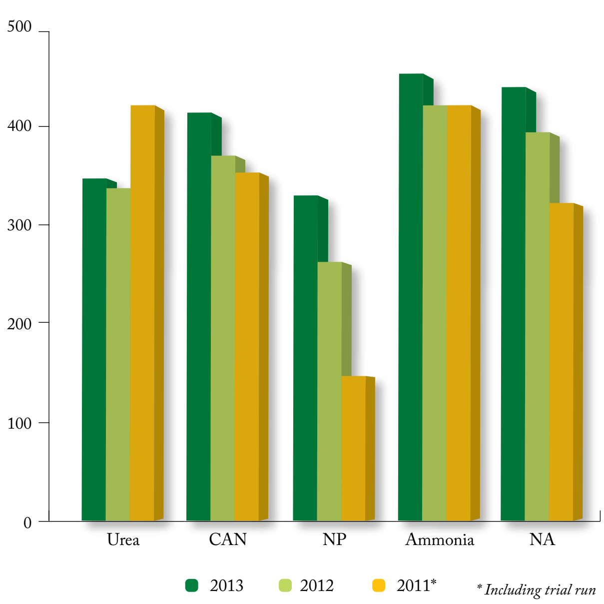
Production Detail

Plant wise production for the year 2013 is as follows:

(M. Tons in '000')

Plant	2013	2012	2011
Urea	352	339	427
CAN	419	374	355
NP	333	262	143
Ammonia	457	423	426
NA	449	398	325

Production
Metric Tons in '000'



Gross Profit

Gross profit for the year increased significantly to PKR 19.8 Billion reflecting an increase of PKR 2.5 Billion over last year with an overall increase of 14.6%, showing efficient utilization of raw material in spite the unfavorable exchange rate fluctuation which directly impacted the cost of production. Gross margins registered a slight improvement to 59.1% against 58.5% last year.

Distribution and Administrative Cost

Distribution and administrative cost remained in line with increments in revenues and volumes. Your Company's plan to improve and strengthen distribution network nationwide to facilitate growth continued throughout the year. Your Company's presence increased by 6%, in terms of distribution network, in the past year, on the map of Pakistan. Transportation

Directors' Report

and freight expenses, which accounts for a total of 55% of distribution cost, increased in line with volumes and rising petroleum prices.

Borrowing Cost

Your Company has achieved a notable reduction in finance cost by PKR 1.6 Billion as compared to last year with an overall decrease of 27.8% mainly on account of benefit accrued due to swapping of expensive loans with low cost loans, during last year and further reduction in interest rate on the major loan facility during the year. Healthy cash generation during the year was efficiently utilized to improve the leverage and granting a loan aggregating to PKR 3.0 Billion to Pakarab Fertilizers Limited, an associate. The profit accrued on the loan has improved other operating income significantly.

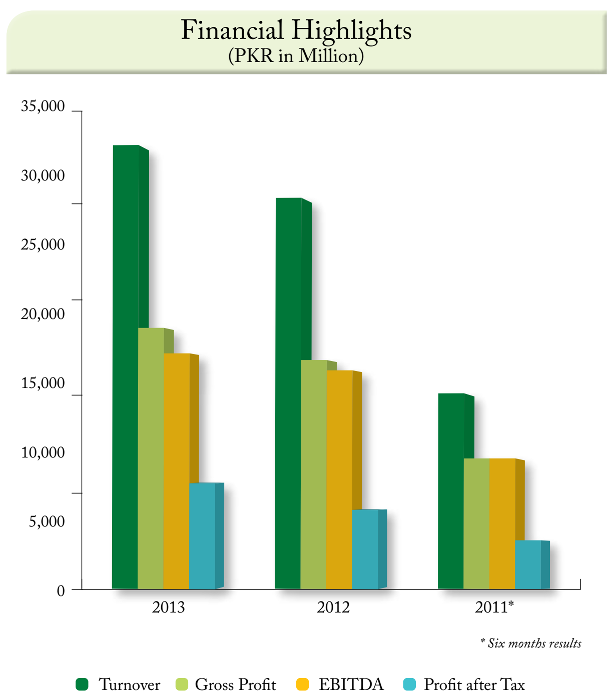
Profit After Tax

After tax profit of the Company improved to 24% of the topline (2012: 20.7%), registering an EPS of PKR 3.82 (2012: 2.86) showing an enhancement of 34% over last year. Return on equity has risen to 24.5% (2012: 21%) and After-tax-return on capital employed has increased to 14.5% (2012: 10.4%).

Financial Highlights

	2013		2012		2011*	
	PKR Million	%	PKR Million	%	PKR Million	%
Turnover	33,496	-	29,519	-	14,833	-
Gross Profit	19,783	59	17,266	58	10,092	68
EBITDA	18,021	53	16,340	55	9,862	66
Profit after Tax	8,022	24	6,111	21	4,117	28
EPS - Rupees	3.82		2.86		1.90	

** Six months results*



Appropriations	**PKR in Thousand**
Unappropriated profit brought forward - restated	6,157,854
Dividend 2012	(4,200,000)
Profit for the year 2013	8,022,185
Profit available for appropriations	9,980,039
Appropriations:	
Other comprehensive income	(11,081)
Unappropriated profit carried forward	9,968,958

Post Balance Sheet Events

The Board of Directors in its meeting held on March 27, 2014 has proposed a final Cash Dividend @ Rs. 2.50 per share i.e 25% for the year ended December 31, 2013 for approval of the members at the Annual General Meeting to be held on April 30, 2014. The financial statements do not reflect this proposed dividend.

Financial Management

During the year, your Company continued to invest diligently in strengthening of its financial management systems. As a result the Company was able to meet all its financial obligations timely by repaying PKR 4 Billion to lenders and dividend payment to Shareholders amounting to PKR 5.5 Billion. Further, excess cash was invested in an associated undertaking to the tune of PKR 3 Billion having favorable returns augmenting the bottom line. Reduction in the financial cost is also reflective of your management's endeavors towards efficient utilization of resources.

Cash Flow Summary for the year

	PKR in Million
Net cash inflow - operating activities	12,231
Net cash used - investing activities	(4,532)
Net cash outflow - financing activities	(8,445)
Net decrease in cash and cash equivalents	(746)
Cash and cash equivalents at beginning of the year	984
Cash and cash equivalents at end of the year	238

Credit Ratings

JCR-VIS Credit Rating Company Ltd. has upgraded long term entity rating of your Company from A+ to AA- (Double A Minus) while short term rating has been maintained at A1 (A One). Outlook of the Company on the assigned rating is 'Stable'. These ratings denote excellent liquidity factors and strong capacity for timely payment of financial commitments.

Contribution to National Exchequer and Economy

An amount of PKR 6,508 million (2012: PKR 5,210 million) was contributed during the year in respect of Custom duties, Sales tax and Income tax.

As a responsible citizen of our country your Company contributes 19% (2012: 18%) of total revenue back to the economy reflecting an increase of 25% from last year.

Value of Investments of Provident and Gratuity Funds

The value of the investments of the provident fund and gratuity fund is PKR 206.82 million and PKR 133.58 million respectively. These figures are unaudited for the year under review.

Directors' Report

Observation in the Auditors' Report

The Company has classified the loan given to Pakarab Fertilizers Limited as short term. The Auditors without qualifying their opinion have highlighted in their report that based on the notification from Pakarab Fertilizers Limited of its intentions to repay the loan before December 31, 2014 and the Company's board resolution agreeing to accept such early repayment. While the Company intends to obtain approval of the shareholders in the forthcoming annual general meeting for early repayment of the loan, however, 75% of its shareholders have given consent to vote in favor of the proposed special resolution. This has been fully explained in note 20 of the financial statements.

Future Outlook

The coming year is expected to witness a steady growth in the profitability of the Company. The nitrogen demand will remain in line with 2013. The gas availability for units on SNGPL is still very tentative and hence limited urea imports will need to be made. In the first quarter the global phosphate market is likely to remain firm and prices have already commenced to appreciate. However the Indian demand for 2014 will play a significant role once again in determining price levels.

Your Company will continue to work on areas for development and capitalize on opportunities. Marketing division has embarked on the new phase of its strategic development and clear milestones have been set to take the Company to the next level of growth.

As approved by the Board, the Company intends to acquire upto 35% shares of Midwest Fertilizer Corporation USA over a period of next 4 years through a mix of Corporate and individual shareholders' contribution. The investment is likely to total upto USD 300 million. The Company is in the process of fulfilling the regulatory requirements both domestically and internationally. The management is also seeking the approval of the shareholders in the forthcoming General Meeting to comply with the requirements of section 208 of the Companies Ordinance. The aforementioned investment is expected to accrue considerable dividends towards the bottom line in the long term.

The Company expects to repay its long term debt substantially in the next 3 years and has planned to raise financial resources from international market to finance the proposed investment in Midwest Fertilizer Corporation.

The management in line with its long-term vision is endeavoring to further improve the financial stability of the Company based on the firmness in the interest rates, continuous reduction in the Debt profile, sustained measures to reduce the production losses by improved efficiencies and increase in design capacity through Ammonia revamp project.

In view of the committed efforts and measure put in place the Company is expected to grow at a steady pace and further strengthen its footprints in the domestic and international markets.

Code of Corporate Governance

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

a) The financial statements, prepared by the management of the Company, present 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; and

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

Changes in the Board

The nominee director of National Bank of Pakistan (NBP), Mr. Amir Shehzad tendered his resignation from the Board and in his place Mr. Syed Hasan Irtiza Kazmi was appointed as director on the Board in July 2013. Subsequently, NBP nominated Mr. Tariq Jamali as nominee director in place of Mr. Syed Hasan Irtiza Kazmi and was appointed as director on the Board in November 2013. The Board expresses its appreciation for the services rendered by the outgoing directors and welcomes Mr. Tariq Jamali on the Board.

Changes in the Audit Committee

Mr. Syed Hasan Irtiza Kazmi was appointed as a member of the Audit Committee on August 06, 2013 in place of Mr. Amir Shehzad and subsequently Mr. Tariq Jamali replaced Mr. Syed Hasan Irtiza Kazmi on December 27, 2013. The statutory composition of the Committee remained intact with this change.

Directors' Report

Board and Committees' Meetings and Attendance

During the year under review, five meetings of the Board of Directors, one meeting of the Human Resource and Remuneration Committee and four meetings of the Audit Committee were held from January 01, 2013 to December 31, 2013. The attendance of the Board and Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings	HR and Remuneration Committee Meetings
Mr. Arif Habib	5	N/A	N/A
Mr. Fawad Ahmed Mukhtar	5	N/A	N/A
Mr. Fazal Ahmed Sheikh	4	2	N/A
Mr. Faisal Ahmed Mukhtar	2	1	-
Mr. M. Abad Khan	5	4	1
Mr. Jørgen Nergaard Gøl	2	N/A	-
Mr. Muhammad Kashif Habib	4	3	1
Mr. Amir Shehzad	2	2	N/A
Mr. Syed Irtiza Kazmi	1	-	N/A
Mr. Tariq Jamali	-	N/A	N/A

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

Directors' Mandatory Training

During the year 2013, another director Mr Muhammad Abad Khan has acquired certification under Directors' Training Program from the Pakistan Institute of Corporate Governance in compliance with Clause (xi) of the Code of Corporate Governance.

Pattern of Shareholding

The detailed pattern of the shareholding and categories of shareholders of the Company as at December 31, 2013, as required under the listing regulations, have been appended to the Annual Report on page 102.

Trading in Shares of the Company by Directors and Executives

No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary and their spouses and minor children. The trade carried out by the executives whose basic salary exceeds five hundred thousand rupees in a financial year is as follows:

Name	Shares Bought	Shares Sold
Mr. Waqas Ahmed	7,500	33,500
Mr. Abdul Ghaffar	-	75,000
Mr. Muhammad Wasim Anwar	2,000	3,000
Mr. Ibrar Jamil	-	4,500

Financial Highlights

Key operating and financial data of previous years has been summarized on page 24.

Audit Committee

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

Human Resource and Remuneration Committee

The Human Resource and Remuneration Committee ensures a human resources strategy is aligned to the overall corporate strategy and a remuneration policy that creates value for the shareholders. The committee composition and its terms of reference have also been attached to this report.

Strengthening Brand

Directors' Report

Corporate and Secretarial Compliance

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

Code of Conduct

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

Auditors

M. Yousuf Adil Saleem & Company Chartered Accountants, retiring auditors of the Company, being eligible offer themselves for reappointment. The Audit Committee and the Board of Directors have recommended their reappointment by the shareholders at the 11th Annual General Meeting, as auditors of the Company for the year ending December 31, 2014 at a fee to be mutually agreed.

Manufacturing Review

Operational Performance

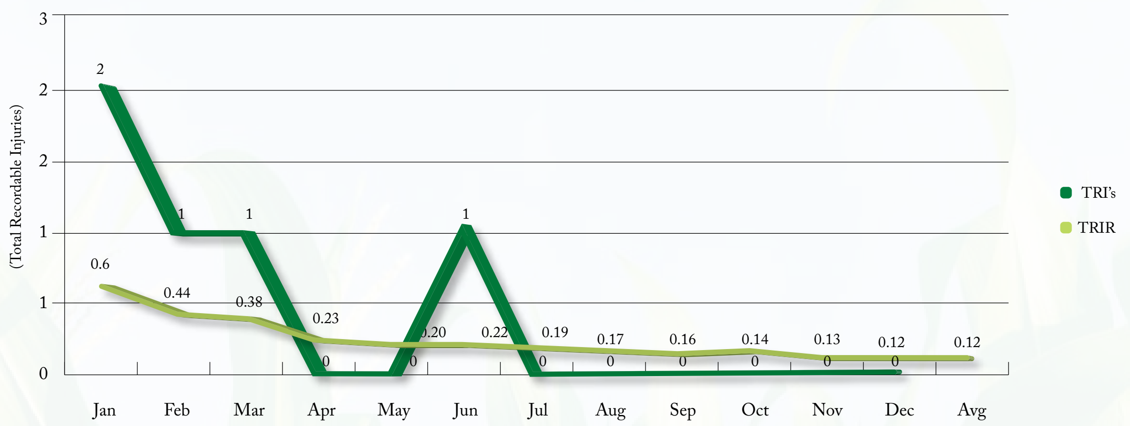
Total fertilizer production of 1.104 million tons in 2013 was highest ever recorded, exceeding the annual target of 1.075 million tons. Plant operation was generally quite satisfactory during the year 2013, in spite of several challenges especially in the Ammonia and NP Plants, which were very well managed with minimum impact on the plant availability. Most of the concerns will be attend in turnaround 2014. Production of Nitro Phosphate (NP) and Calcium Ammonium Nitrate (CAN) were maximized to exceed the budget and achieve better financial returns.

Risk Analysis and Mitigation

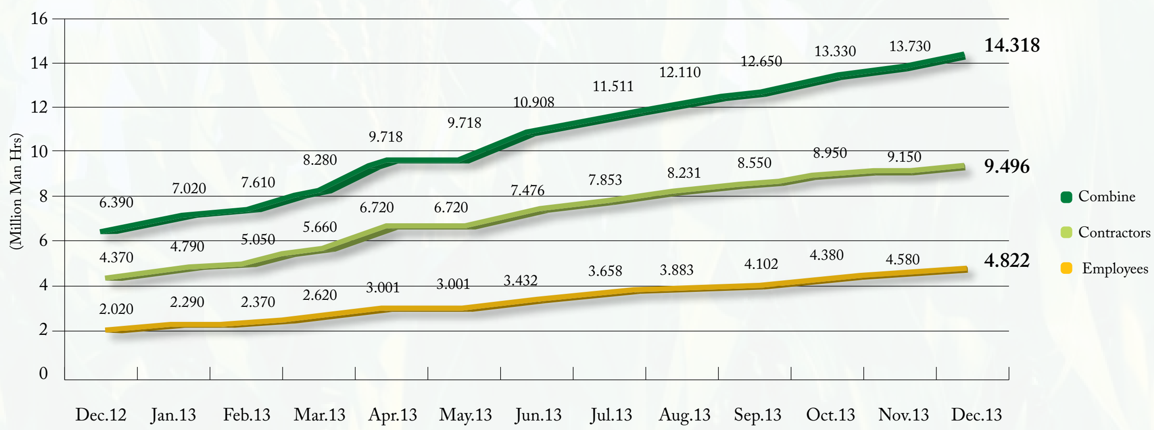
Year 2013 was completed with best ever Total Recordable Incident Rate (TRIR) of 0.12. A total of 14 million safe working hours were achieved on 15th December 2013.

Implementation of DuPont Process Safety Management (PSM) was launched at site with total Management Commitment. Training and validation of employees in PSM was started and more than 90% employees successfully completed within 2013. Extensive and untiring efforts are in-hand to adopt DuPont model to achieve excellence level in 2016.

Total Recordable Injuries (TRIs and TRIR Trend for 2013)



Safe Million Working Hrs Trend for 2013

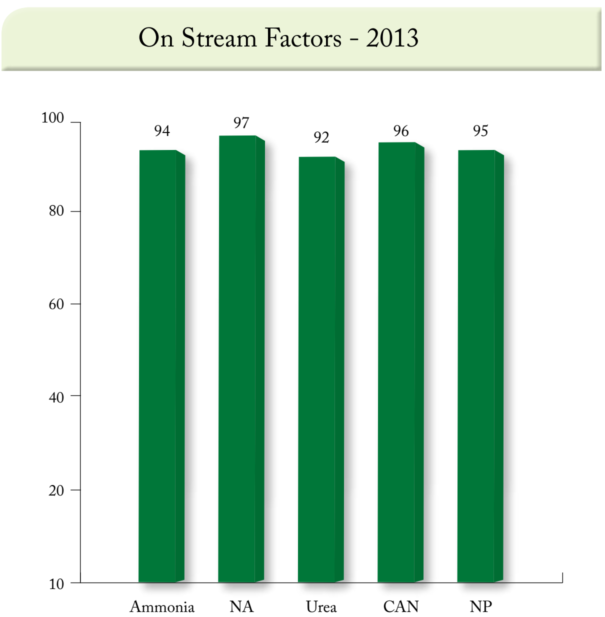


Directors' Report

Management Safety Audits, Emergency Response Drills, Plant Reliability Enhancement Program, Occupational Health & Industrial Hygiene and Customized Housekeeping Audits are few to name. Comprehensive monitoring and self-auditing regime is established backed by internal and external audits. After usual bumpy period of plant commissioning and operation normalization, systems and procedures deployment was focused and complete functionalities are being strengthened. World-class HSE performance is the aim and achievement of TRIR 0.12 and 14 million safe working hours in 2013 are just a start.

Efficiency Improvement Measures

As an outcome of coordinated efforts and high class HSE performance, operational standards continuously improved and following results were achieved in 2013.



Turn Around Activities

Turn Around (TA) 2013 was planned for total duration of 22 days from production to production and commenced from 2nd April 2013. Major jobs included overhauling of major Compressors & Turbines, installation/replacement/cleaning of heat exchangers and preventive Maintenance of large number of rotary and stationary equipment. The TA was concluded efficiently and the target of zero injury was successfully achieved.

Debottlenecking Activities / Ammonia Revamp

Ammonia Plant Revamp Study to increase its design capacity from 1500 to 1800 MTPD was successfully completed in 2013. Basic Engineering Design contract was also awarded to Haldor Topsoe and work in the same is in progress whereas negotiations round is in-hand to select and award the Detailed Engineering Design contract.

The project has been split in two phases for implementation. Phase-I is targeting 7% capacity gain with an investment of about USD 50 million and will be completed by October 2015. Relatively low capital investment and high IRR projects are lumped in Phase-1.

Phase-2 includes capital extensive improvements which will yield major increase (13%) in capacity at an estimated cost of USD 80 million.

Assuring Safety

Environmental Protection Measures

Air Emissions

Fatima has an air quality measurement program so as to identify the limits of pollution parameters in the ambient air in and around the Fatima plant. The stack emissions monitoring is done on monthly basis for the priority parameters in compliance with the requirements of National Environmental Quality Standards (NEQS) on Self-Monitoring and Reporting basis.

Emissions from Power Generation Process

Natural Gas is the fuel utilized for power generation. The levels of carbon monoxide, sulphur dioxides and oxides of nitrogen are monitored from the stacks of power generation equipment by reputable third party laboratory. All the parameters are monitored and always remain well below their respective limits specified in the NEQS.

Emissions from Fertilizer Manufacturing Process

Similarly the levels of emissions from fertilizer manufacturing process stacks for particulate matter, carbon monoxide, sulphur dioxides and oxides of nitrogen are well below their respective limits specified in the NEQS.

Noise

The design and operation of the Fatima is such that the noise levels remain within the acceptable limits of the NEQS. Regular monitoring for noise levels is carried out at different points within the site to ensure compliance.

Biodiversity

There is no unique or natural habitat of internationally or locally recognized rare, threatened or endangered species around the vicinity of the operations of Fatima at Sadiqabad. There are no forests within about 100 km radius of the project site. Hence, there is no significant impact of Fatima activities on the biodiversity of the surrounded area.

Water

Fatima has installed waste water treatment facilities in the form of Equalization Basin to ensure that any water that is discharged from the facility is safe and does not pollute the region's water table. The monitoring of waste water from the Equalization Basin and from the final discharge point is done on monthly basis for the priority parameters in compliance with the requirements of NEQS.

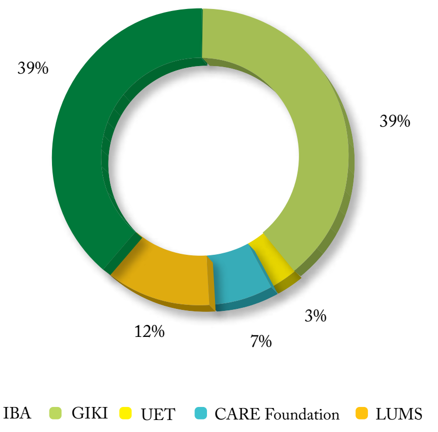
Corporate Social Responsibility

Positive Social Impact

Your Company owes a lot to the environment and the people it works with. It feels responsible towards the communities and aims to contribute for their betterment in every way possible. Your Company's corporate social responsibility is more than just a statement. Its initiatives in health, environment and other social sectors are the living proof of its commitment towards building healthy environment as well as wellbeing of the people living in the society it operates in. Your Company believes that the growth of its business depends on the growth of the communities around it.

Company's 'Positive Social Impact' program comprises of contributions in strengthening talent building at national level by way of offering scholarships to underprivileged students so as to facilitate them in studying for professional degree programs, contributing in education endowment funds and also investing in health care facilities.

Initiatives



Directors' Report

Initiatives to Building Talent at National Level – An Imperative for Industrial as well as Corporate Growth.

Institute	Initiative	PKR in (000)
Institute of Business Administration (IBA)	The Company has pledged to donate an amount of PKR 25 million to IBA for furtherance of education in Pakistan. PKR 10 million has already been paid.	25,000
Ghulam Ishaq Khan Institute (GIKI)	Mukhtar A. Sheikh Laboratories for Chemical Engineering at GIKI. The Company will support the institute in setting up 6 to 8 chemical laboratories for its Chemical Engineering Program over the next 4 years. The total support pledged for the initiative is PKR 70 million.	20,085
Lahore University of Management Sciences (LUMS)	Signed an agreement with LUMS for Fatima Group-LUMS Partnership to launch National Outreach Program (NOP) to provide financial support to 4 scholars per annum till the total reaches 16. The program focuses on exceptional students needing financial assistance.	6,000
CARE Foundation	The Sarsabz School Adoptions Program with Care Foundation is another step towards providing quality education to the surrounding communities. The Company adopted 3 Government Schools in Sadiqabad, District Rahim Yar Khan, in collaboration with CARE Foundation in 2013 on running and capital expense of these schools.	3,818
University of Engineering & Technology (UET)	In its commitment to developing national talent, Company initiated a scholarship program to support deserving students in achieving higher education with UET by providing 100% scholarships including tuition fee and hostel charges (where applicable) to four students every year through the 4 year's degree program.	1,440

Donations

During the year the Company being a socially responsible citizen, contributed towards health and education sector to support the underprivileged through different prominent institutions to an amount of PKR 20.9 million. This includes foreign scholarship program with University of Pennsylvania (UPENN) for 2 deserving Pakistani Students for the undergraduate Degree and donations to Shaukat Khanum Cancer Hospital, Memon Health and Education Foundation, SIUT, LABARD, Multan Diabetic Foundation, Baluchistan Earthquake Disaster Relief Program and others.

Memon Health and Education Foundation

Memon Medical Institute is a project of the Memon Health and Education Foundation. Their vision is to establish a community for the betterment of the nation. The largest project undertaken by the Memon community is to provide accessible and affordable quality healthcare and education to all with dignity, respect and empathy and to become a role model for caring, curing, education, training, research and employment.

Pahla Qadam School

One Feeder School (Pahla Qadam School) adopted in 2013 by education society, the school is located in a nearby Village. Running expense of the school are borne by Fatima.

The role of Fatima Welfare fund education Society is to monitor the performance of adopted school.

Free Medical Dispensary

Fatima Fertilizer Company Limited is running a free medical dispensary adjacent to its premises for the neighboring community. Following facilities are provided free to the patients:

- Routine medicines
- Dog Bite vaccine
- Hepatitis B/C screening
- Hepatitis B vaccine

8,721 patients were treated and 3,228 persons were vaccinated against hepatitis B in the dispensary in 2013. PKR 1.8 million were spent on treatment/vaccination of these patients.

PKR 0.5 million were spent to upgrade the infrastructure in the dispensary for facilitation of patients. Potable water line has been extended from the township to facilitate the community.

Additional hiring of Medical staff is planned in 2014 to extend its services. Outreach medical and eye camps have also been planned in 2014.

Directors' Report

Introducing Employee Volunteer Program

Fatima Fertilizer believes that it is absolutely imperative to form a mutually beneficial relationship with our communities and support them through economic development and corporate social investment initiatives. We are of the opinion that it is the duty of every employee to give back to the community by contributing to various social and developmental causes both on an individual and collective basis.

The Employee Volunteer Program (EVP) provides employees with an opportunity to contribute to various social causes that they support under company sponsorship. By means of this initiative, we are not just addressing various social concerns but facilitating employee interest in helping their communities through their work place. EVPs lead to healthier, more developed communities whereby people are more aware of the multitude of social issues that our nation faces and are provided with a platform to mitigate these problems.

Human Resource Management

Human Resource Division is continuously striving to build, grow and nurture our human capital to maximize your Company's growth. Over the period of 4 years Human Resource as a division has evolved and matured. This has not only streamlined the processes and procedures but has also introduced new concepts within the Company. On the whole, HR has moved from its traditional role towards a more contemporary one by being people centric catalyst for strategic change. The key highlights of 2013 have been introduction and implementation of HRBP concept, defining the succession policy, strengthening of training and development policy, becoming experts at recruitment drives so as to be able to attract the best talent, and working towards building a Fatima Community.

Introducing Human Resource Business Partner

Human Resource Business Partner is a concept which was successfully introduced and implemented in your Company in the year 2013. The aim was to strengthen the strategic side of Human Resource and to make HR personnel more visible within the Company. As a strategic partner, the HR Business Partner (HRBP) would align the business objectives with those of its employees and management in the designated functions. The HRBP serves as a consultant to management on Human Resource related issues. They act as change agents and formulate partnerships across the functions in order to deliver value added services to the management and the employees who work towards achieving the Company's objectives.

Fit To Win

We believe in creating a culture in which performance is aligned with values and positive social impact. Training and development policy that we have for this purpose aims to equip individuals with necessary skills required to fulfill the knowledge and skill challenges of the present and future jobs in the most efficient way.

There are four types of training being currently offered under this policy:

Following its commitment to attract, build and grow young talent so as to fuel the talent pipeline and thus to drive business's growth agenda, in 2013 at the Manufacturing Site Toast Master Club was established under the sponsorship and guidance of the Toast Master Club – USA. This Club, in a structured and systematic manner provides platform for people to build their communication skills – written as well as oral – thus leading to belief in self and self confidence.

In addition, in 2013 your Company also initiated Leadership Development Program with the aim to build coaching culture so as to build learning as well as talent building environment. Under this program all Department Managers, based on their strengths as well as development needs worked out through a systematic assessment approach, will go through 6 coaching sessions each with an internationally recognized executive coach. This initiative will help in building coaching culture leading to building talent in the Company. In 2014 we aim to expand this program to Middle Management level also.

Valuing Relationship

We believe in valuing long-term relationships enabling people to pursue their career ambition in their preferred ways. Our succession policy lays down the process to identify and develop the internal talent pool with the potential to fill key business leadership positions in the company. This policy enables us to identify successors for a particular position based on the performance and potential of individuals.

1. **Functional / Technical** — Aims to enhance the specific knowledge required to do a particular job.
2. **Management Development Program (Soft Skills)** — Aims to polish the behavioral skills required to perform better in the current and future roles.
3. **Leadership Development Program** — Aims to develop Leadership competency in individuals across all management levels.
4. **Certification & Foreign Attachments** — These are individual need based trainings.

Directors' Report

It also assists in preparing a development plan enabling individual competence development to take charge of the new role.

Recruitment Drive 2013

Fatima Fertilizer went for a very aggressive drive regarding talent hunt in the Year – 2013 in the areas of Graduate Trainee Engineers – GTE's and Management Trainee Officers – MTO's.

Following Universities were tapped for getting the talent:

- NED University Karachi
- IBA Karachi
- NUST Islamabad
- GIKI Topi
- LUMS
- Lahore School of Economics
- UET Lahore
- Punjab University Lahore - Chemical and Electrical Engineering Departments

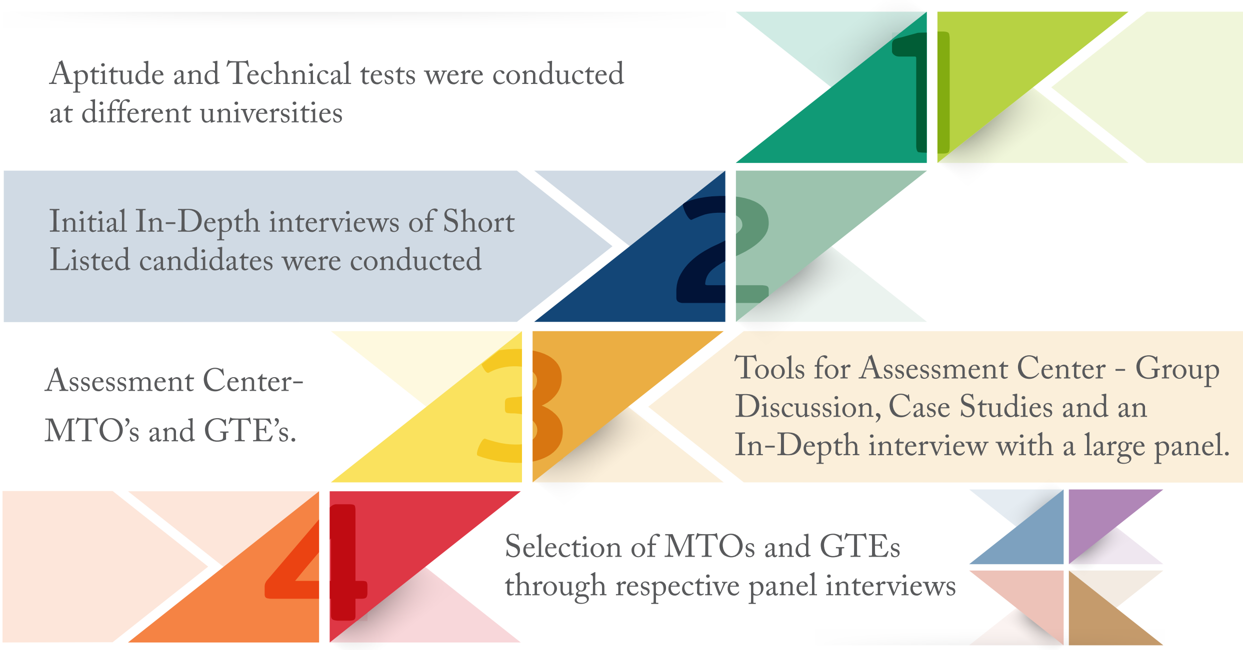
The recruitment drive was started in January 2013 when the overall plans were put together and approved by the management and the following process was used in getting the right candidates for these two positions:

A total of 1,250 students appeared for the initial test (Aptitude as well as Technical) which was followed by a well-structured 'Assessment Center' and only 14 were selected as GTE's and five as MTO's. People who have joined are amongst the top talent cream of Pakistan and we are extremely proud to have them work with us as part of the ever growing team of Fatima Fertilizer.

Engaging and energizing people

Your Company firmly believes in that together with attracting, nurturing and building talent it is important to have an engaging environment in the Company so as people are engaged which leads to commitment followed by growth of people and business together. Following this purpose, while sports and social activities have always been taking place, 2013 was a year of change as this year new management club house, swimming pool and a squash court were added to the lives of employees and their families. With the add up of these facilities, children as well as employees families were seen at the forefront in organizing as well as engaged in social and sports activities.

Building on to commitment to building an engaging environment Fatima Family at head office celebrated spring in full spirit and vigor this year by organizing a Spring Cricket Carnival held at LCCA ground. It was a full day event wherein amazing cricket was played by our 8 inter-departmental teams from the Head Office, enriched by sportsmanship and



magical enthusiasm with full support from their friends and families along with the fun filled commentary that kept the cricketing spirit alive throughout the match. Children were kept entertained with plenty of ice cream, face painting, and a jumping castle while the match ended on a high note with a prize distribution ceremony. It was a step taken towards building a Fatima community by keeping the employees engaged and connected with one another. Overall, the event turned out to be a fun filled success and something to look forward each year.

Launching of GM HR Blog is an initiative that will help building engaging environment. This provides platform for people to connect and communicate with the GM HR in a rather informal manner and share their views, concerns on Company policies, processes, working environment. This could also be used in engaging people to enhance their learning by sharing thoughts on various management practices.

IT Governance Policy

During the year, under review, the Information Technology (IT) Division continued its efforts to create a secure, stable and agile IT environment aligned with and responsive to the business needs of the Company. To this end, IT focused on applications, infrastructure and governance. Within the applications domain, the emphasis was on enhancing the usability and stability of existing applications and deploying additional applications. Within the infrastructure domain the emphasis was on reliability, stability, efficiency and security with a view towards consolidation of the infrastructure. Governance focused on implementing project management best practices and developing policies and procedures in line with ISO-27001.

Highlights of the activities and achievements in the application and ERP domain are:

- **Oracle application upgrade to the latest version**; as part of the core value of Excellence, the Company has upgraded its ERP Oracle applications to the latest available version. This has provided the Company with new features and functionalities which not only improved operational efficiency but also provided significantly improved monitoring and control capabilities.

- **Enhancement of Oracle procurement system**; payments linked to invoices and Material Receipt Reports, extension of online Purchase Requisition to Head Office functions.
- **Implementation of Budget Control System**; with this the system does not allow purchase of any item in excess of budgeted amount. The end users can view the status of their budget and utilization in real time.
- **SMS alerts from Oracle Applications to customers;** with this system the customer are notified with updates on orders, shipments and price offering. This has helped improve communication with customers and present the Company in a positive manner.
- **User Productivity Kit (UPK) implementation**; Oracle UPK is a comprehensive content development, deployment and maintenance platform. One of the major benefits of UPK is creation and dissemination of on-line training material.
- **Database performance enhancement**; at the beginning of 2013 almost 5 hours nightly application / database downtime was required to perform the backup. The IT team through a series of steps first reduced the nightly downtime to 1 hour and subsequently through deployment of the RMAN tool made it possible to perform nightly backup without any downtime.
- **SharePoint tool was deployed**; currently it is being used as a document repository, in the coming year its role will be expanded to cater for business process automation.

The highlights of the activities and achievements in the infrastructure domain include:

- Implementation of End Point (Anti-Virus) Security Solution, state of the art end-point security solution by Kaspersky Labs successfully deployed on more than 70% of laptops / desktops. This allowed neutralization of more than 200 different types of viruses present on machines within the Company.
- Deployment of Websense allowed enabling of SPAM filters; in 2013 over one million SPAM mails were blocked by the filters. Using Websense internet traffic is now routed through proxy servers, this facilitates URL filtering and controlling access to undesirable websites thereby saving on internet bandwidth.
- Implementation of Microsoft Private Cloud. This allows efficient use of computing resources as well as High Availability.
- Rollout of Lync for instant messaging and audio / video conferencing from the desktop / laptop.
- Deployment of Cisco's LAN management solution for centralized monitoring, configuration and archival of all network devices.
- Extension of nightly backup services to include email, previously only Oracle database was being backed up.
- Revamp and rationalization of the Active Directory according to the organization charts provided by HR.

In terms of governance the major activities are in the areas of Project Management and Information Security Management System:

- Twenty policies and procedures in accordance with ISO-27000 guidelines formulated, in addition IT service catalogue and IT asset register were developed.
- Fine grained monitoring of IT projects on a weekly basis put in place with well-defined escalation paths.

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

Lahore
March 27, 2014

Arif Habib
Chairman

Financial Statements

Fatima Fertilizer Company Limited

for the year ended December 31, 2013

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 2013, and reports that:

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

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

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

- The Company has complied with all the corporate and financial reporting requirements. Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, for the financial year ended December 31, 2013, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

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

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

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

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

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

Internal Audit

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

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

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

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

External Auditors

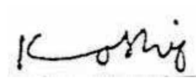
- The statutory Auditors of the Company, M. Yousaf Adil Saleem & Company, Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2013 and shall retire on the conclusion of the 11th 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 Meetings of the Company during the Year and have confirmed attendance of the 11th Annual General Meeting scheduled for April 30, 2014 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends reappointment of M. Yousaf Adil Saleem & Company, Chartered Accountants, for the financial year ending December 31, 2014.

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



Lahore
March 27, 2014

Muhammad Kashif Habib
Chairman-Audit Committee

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2013

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

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

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

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

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

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

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

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

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board. No new appointment of CEO has been made during the year.

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

9. One director, Mr Muhammad Abad Khan has completed mandatory training program from the Pakistan Institute of Corporate Governance.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit was made after the revised CCG has taken effect.

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

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

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

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

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

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

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

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

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

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

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

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

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

Place: Lahore
March 27, 2014

Fawad Ahmed Mukhtar
Chief Executive Officer

Review Report to the Members

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2013.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner: Talat Javed
March 27, 2014
Multan

Auditors' Report to the Members

We have audited the annexed balance sheet of Fatima Fertilizer Company Limited (the Company) as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) In our opinion–

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as mentioned in note 5 to the financial statements with which we concur;

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

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

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

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

We draw attention to note 20 to the financial statements which states that the Company has classified the loan to associated company as short term based on the notification from Pakarab Fertilizers Limited of its intentions to repay the loan before December 31, 2014 and the Company's board resolution agreeing to accept such early repayment. While the Company intends to obtain approval of the shareholders in the forthcoming annual general meeting for early repayment of the loan, however, 75% of its shareholders have given consent to vote in favor of the proposed special resolution. Our opinion is not qualified in respect of this matter.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner: Talat Javed
March 27, 2014
Multan

Balance Sheet
as at December 31, 2013

	Note	2013	2012 (Restated)
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,500,000,000 (2012: 2,500,000,000) ordinary shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital			
2,100,000,000 (2012: 2,100,000,000) ordinary shares of Rs 10 each	6	21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Accumulated profit		9,968,958	6,157,854
		32,758,958	28,947,854
NON CURRENT LIABILITIES			
Long term finance	7	22,647,450	27,023,742
Dividend and markup payable to related parties		-	2,917,615
Deferred liabilities	8	8,608,816	4,843,755
		31,256,266	34,785,112
CURRENT LIABILITIES			
Trade and other payables	9	6,650,695	4,996,727
Accrued finance cost	10	383,432	499,478
Short term finance - secured	11	2,302,516	2,690,246
Current maturity of long term finance	7	5,938,078	4,085,379
		15,274,721	12,271,830
CONTINGENCIES & COMMITMENTS	12		
		79,289,945	76,004,796

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

Chief Executive

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	65,695,396	65,882,892
Intangible assets	14	42,726	33,881
Capital work in progress	15	1,892,621	1,662,461
		67,630,743	67,579,234
Long term investments	16	85,190	85,190
Long term deposits		10,248	11,361
		67,726,181	67,675,785
CURRENT ASSETS			
Stores and spares	17	3,850,150	3,230,805
Stock in trade	18	2,702,076	2,507,927
Trade debts	19	99,181	138,480
Short term loan to associated company	20	3,000,000	-
Loans, advances, deposits, prepayments and other receivables	21	1,674,063	1,467,655
Cash and bank balances	22	238,294	984,144
		11,563,764	8,329,011
		79,289,945	76,004,796

Director

Profit and Loss Account
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees in thousand)	
Sales	23	33,495,889	29,518,623
Cost of sales	24	(13,712,677)	(12,252,427)
Gross profit		19,783,212	17,266,196
Distribution cost	25	(1,430,122)	(1,233,944)
Administrative expenses	26	(1,098,985)	(738,792)
		17,254,105	15,293,460
Finance cost	27	(4,169,002)	(5,773,821)
Other operating expenses	28	(1,010,346)	(506,135)
		12,074,757	9,013,504
Other income	29	245,776	67,033
Profit before tax		12,320,533	9,080,537
Taxation	30	(4,298,348)	(2,969,418)
Profit for the year		8,022,185	6,111,119
Earnings per share - basic and diluted (Rupees)	32	3.82	2.86

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

Chief Executive **Director**

Statement of Comprehensive Income
for the year ended December 31, 2013

	Note	2013	2012 (Restated)
		(Rupees in thousand)	
Profit for the year		8,022,185	6,111,119
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post retirement benefits obligation	8.2	(17,048)	(1,068)
Deferred tax impact		5,967	374
		(11,081)	(694)
Total comprehensive income for the year		8,011,104	6,110,425

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

Chief Executive

Director

Statement of Changes in Equity

for the year ended December 31, 2013

	Note	Ordinary share capital	Preference share capital	Share premium	Accumulated profit	Total
		(Rupees in thousand)				
Balance as at December 31, 2011 - previously reported		20,000,000	4,000,000	790,000	3,264,865	28,054,865
Effect of retrospective application of change in accounting policy	5.3	-	-	-	(1,806)	(1,806)
Balance as at December 31, 2011 - restated		20,000,000	4,000,000	790,000	3,263,059	28,053,059
Profit for the year		-	-	-	6,111,119	6,111,119
Other comprehensive income - restated		-	-	-	(694)	(694)
Total comprehensive income		-	-	-	6,110,425	6,110,425
Transactions with owners:						
- Final dividend for the year ended December 31, 2011 @ Rs 1.5 per share		-	-	-	(3,000,000)	(3,000,000)
- Conversion of 200,000,000 preference shares into ordinary shares @ Rs 20 per share		1,000,000	(2,000,000)	1,000,000	-	-
- Redemption of 200,000,000 preference shares at par		-	(2,000,000)	-	-	(2,000,000)
Dividend on preference shares		-	-	-	(215,630)	(215,630)
Balance as at December 31, 2012 - restated		21,000,000	-	1,790,000	6,157,854	28,947,854
Profit for the year		-	-	-	8,022,185	8,022,185
Other comprehensive income		-	-	-	(11,081)	(11,081)
Total comprehensive income		-	-	-	8,011,104	8,011,104
Transactions with owners:						
- Final dividend for the year ended December 31, 2012 @ Rs 2 per share		-	-	-	(4,200,000)	(4,200,000)
Balance as at December 31, 2013		21,000,000	-	1,790,000	9,968,958	32,758,958

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

Chief Executive

Director

Cash Flow Statement
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	18,725,388	13,770,485
Finance cost paid		(5,865,449)	(6,531,930)
Taxes paid		(614,349)	(285,082)
Employee retirement benefits paid		(14,274)	(11,976)
Net cash from operating activities		12,231,316	6,941,497
Cash flows from investing activities			
Fixed capital expenditure		(1,583,527)	(949,218)
Long term investment		-	(85,190)
Short term loan to associated company		(3,000,000)	-
Proceeds from disposal of property, plant and equipment		101	3
Net proceeds from disposal of short term investments		39,147	-
Net decrease / (increase) in long term loans and deposits		1,113	(5,880)
Profit received on saving accounts		11,280	75,540
Net cash used in investing activities		(4,531,886)	(964,745)
Cash flows from financing activities			
Redemption of preference shares		-	(2,000,000)
Repayment of long term finance			
- lender facilities		(4,085,379)	(12,363,032)
- related party		-	(4,515,565)
Proceeds from long term finance		1,561,786	10,497,667
Dividend paid			
- ordinary shares		(4,196,743)	(2,992,706)
- preference shares		(1,337,214)	(148,579)
(Decrease) / Increase in short term finance - net		(387,730)	2,690,246
Net cash used in financing activities		(8,445,280)	(8,831,969)
Net decrease in cash and cash equivalents		(745,850)	(2,855,217)
Cash and cash equivalents at the beginning of the year		984,144	3,839,361
Cash and cash equivalents at the end of the year		238,294	984,144

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

Chief Executive **Director**

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

1. Legal status and nature of business

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

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013

2.2.1 The following standards, amendments and interpretations are effective for the year ended December 31, 2013. 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 IAS 16 - Property, Plant and Equipment Classification of servicing equipment** — **Effective from accounting period beginning on or after January 01, 2013**

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

– **Amendments to IAS 32 - Financial Instruments: Presentation Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction** — **Effective from accounting period beginning on or after January 01, 2013**

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

– **Amendments to IAS 34 - Interim Financial Reporting Interim reporting of segment information for total assets and total liabilities** — **Effective from accounting period beginning on or after January 01, 2013**

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

– **Amendments to IFRS 7 - Financial Instruments: Disclosures Offsetting financial assets and financial liabilities** — **Effective from accounting period beginning on or after January 01, 2013**

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

– **IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine** — **Effective from accounting period beginning on or after January 01, 2013**

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

2.2.2 The following two amendments are effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursing paragraphs. These changes are considered as change in policy.

- **Amendments to IAS 1 - Presentation of Financial Statements Clarification of Requirements for Comparative Information** — **Effective from accounting period beginning on or after January 01, 2013**

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

– **Amendments to IAS 1 - Presentation of Financial Statements Presentation of Items of Other Comprehensive Income** — **Effective from accounting period beginning on or after July 01, 2012**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

– **Amendments to IAS 19 - Employee Benefits** — **Effective from accounting period beginning on or after January 01, 2013**

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions.

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.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

– **Amendments to IAS 32 - Financial Instruments: Presentation Offsetting financial assets and financial liabilities** — **Effective from accounting period beginning on or after January 01, 2014**

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

– **IAS 36 - Impairment of Assets Recoverable Amount Disclosures for Non Financial Assets** — **Effective from accounting period beginning on or after January 01, 2014**

The amendments:

- remove the requirement to disclose the recoverable amount of a cash generating unit (or group of cash generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

– **IAS 39 - Financial Instruments: Recognition and Measurement Novation of Derivatives and Continuation of Hedge Accounting** — **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 39 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditioned are met.

– **IFRIC 21 - Levies** — **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

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

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

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 or estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

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

a) Employee retirement benefits

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

b) Useful life and residual values of property, plant and equipment and intangible assets

The Company reviews the useful lives of property, plant and equipment and intangible assets on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment and intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

c) Provision for taxation

In making the estimates for income taxes payable by the Company, the management considers the applicable laws and the decisions of the appellate tax authorities on certain issues in the past.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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

4.2 Employee retirement benefits

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

a) Defined benefit plan - Gratuity

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

The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2013. Projected unit credit method is used for valuation of the scheme.

As further explained in note 5.3 - effective from January 01, 2013, all actuarial gains and losses are recognized in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortized over the average future service of the employees.

b) Accumulating compensated absences

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

c) Defined contribution plan - Provident Fund

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

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

4.3 Property, plant and equipment

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

Depreciation on property, plant and equipment is charged to profit and loss account on the straightline 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 profit and loss account during the period in which they are incurred.

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

4.4 Capital work in progress

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

4.5 Intangibles

Computer software

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

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

4.6 Leases

The Company is the lessee.

Operating leases

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

4.7 Investments

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

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

Financial assets at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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

4.8 Financial instruments

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

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

4.9 Offsetting of financial assets and liabilities

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

4.10 Stores and spares

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

4.11 Stock in trade

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

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

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

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

4.12 Trade debts and other receivables

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

4.13 Cash and cash equivalents

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

4.14 Borrowings

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

4.15 Related party transactions

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

4.16 Trade and other payables

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

4.17 Provisions

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

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

4.18 Derivative financial instruments

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

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

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

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

4.19 Impairment

Financial assets

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

Non financial assets

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

4.21 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

4.22 Borrowing costs

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

5 Changes in accounting policy

5.1 Amendment to IAS 1 'Presentation of Financial Statements' regarding 'other comprehensive income':

The primary change resulting from this amendment is that the Company has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

5.2 Amendment to IAS 1 'Presentation of Financial Statements' regarding 'disclosure requirements for comparative information':

The amendment classifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8 'Accounting policies, changes in accounting estimates and errors', the balance sheet should be as at the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet.

5.3 Adoption of amendments in IAS 19 (Revised) 'Employee Benefits':

IAS 19 (Revised) 'Employee benefits' amends the accounting for the Company's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard. The impact of the adoption of IAS 19 (revised) has been in the following areas:

- The standard requires all actuarial gains and losses to be recognized immediately in 'other comprehensive income'. This has resulted in unrecognized net actuarial losses aggregating Rs 2.500 million (net of related deferred tax) as at December 31, 2012 being recognized in 'other comprehensive income'. This has no impact on profit and loss account for the year ended December 31, 2013 and December 31, 2012. This change also has resulted in decrease in deferred tax liability by Rs 1.347 million as at December 31, 2012.

- The standard requires past service cost to be recognized immediately in profit or loss. This has no impact on total comprehensive income for the year or liability of the Company.

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high quality corporate bonds. This treatment, however, has no impact on these financial statements.

- There is a new term 'remeasurements'. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

- Retirement benefits obligation as previously reported has been restated at the balance sheet dates to reflect the effect of the above. The amount has been restated as Rs 88.195 million (previously Rs 84.348 million) as at December 31, 2012.

- The effect of this change in accounting policy on the cash flow statement and on earnings per share is immaterial.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

6 Issued, subscribed and paid up ordinary share capital

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000
100,000,000	100,000,000	Ordinary shares of Rs 10 each issued on conversion of fully paid preference shares	1,000,000	1,000,000
2,100,000,000	2,100,000,000		21,000,000	21,000,000

6.1 Movement in ordinary shares

2013	2012		2013	2012
2,100,000,000	2,000,000,000	Opening balance	21,000,000	20,000,000
-	100,000,000	Ordinary shares issued on conversion of 200,000,000 preference shares @ Rs 20 each	-	1,000,000
2,100,000,000	2,100,000,000	Closing balance	21,000,000	21,000,000

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

	2013	2012
	(Number of shares)	
Arif Habib Corporation Limited	366,134,206	376,634,206
Fatima Sugar Mills Limited	268,572,091	290,447,036
Reliance Commodities (Private) Limited	208,863,694	178,450,033
Fazal Cloth Mills Limited	69,514,031	66,934,970
Reliance Weaving Mills Limited	2,625,166	2,625,166
Pakarab Fertilizers Limited	-	45,000,000
	915,709,188	960,091,411

7 Long term finance

	Note	2013	2012
		(Rupees in thousand)	
Secured loans from Banking Companies / Financial Institutions			
Long Term Syndicated Loan (Senior Facility)	7.1	18,526,075	21,011,454
Syndicated Term Finance Agreement - I (STFA - I)	7.2	4,000,000	5,600,000
Syndicated Term Finance Agreement - II (STFA - II)	7.3	5,559,453	4,497,667
Syndicated Term Finance Agreement - III (STFA - III)	7.4	500,000	-
		28,585,528	31,109,121
Less: Current portion		5,938,078	4,085,379
		22,647,450	27,023,742

7.1 Long Term Syndicated Loan (Senior Facility)

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

It carries markup at the rate of 6 months KIBOR plus 3.00% per annum. The effective rate of markup charged during the year ranged from 12.50% to 12.97% per annum (2012: 12.50% to 15.01% per annum).

In the event, the Company fails to pay the balances on due dates, markup is to be computed at the rate of Re 0.355 (2012: Re 0.342) per Rs 1,000 per diem or part thereof on the balances unpaid.

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

The loan is repayable over a period of 7 years in 14 semi annual installments. During the year the Company has paid two installments aggregating to Rs 2,485 million (2012: Rs 1,985).

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

This facility has been obtained from a consortium of commercial banks / financial institutions led by National Bank of Pakistan against a sanctioned limit of Rs 6,000 million for the purpose of refinancing a portion of its existing long term finance.

The facility carries markup at the rate of 6 months KIBOR plus 1.5% per annum payable semiannually in arrears. The effective rate of markup charged during the year ranged from 11.01% to 11.42% per annum (2012: 11.01% to 13.51% per annum).

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

The loan is payable over a period of four years in eight half yearly installments. During the year the Company has paid two installments aggregating to Rs 1,600 million (2012: Rs 400 million).

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

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

During the year the Company has received further disbursement of Rs 1,062 million against the sanctioned limit.

The facility carries markup at the rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 10.51% to 10.88% per annum (2012: 10.51%).

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

The loan is repayable in five years with one year grace period in eight half yearly installments starting from May 20, 2014.

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

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

During the year the Company has received disbursement of Rs 500 million against this facility from the lead bank who is in the process of identifying participants for the consortium and further disbursements shall be made upon finalization of the arrangement.

The facility carries markup rate of 6 months KIBOR plus 1% per annum. The effective rate of markup charged during the year ranged from 10.12% to 11.14% per annum (2012: Nil).

The facility is likely to be secured against first pari passu charge over all present and future land, building, plant and machinery. However, at present, a ranking charge over all present and future fixed assets of the Company amounting to Rs 667 million has been created for the disbursed amount only.

The outstanding amount is payable over a period of five years with one year grace period in eight half yearly installments starting from December 26, 2014.

7.5 The aggregate unavailed long term financing facilities amount to Rs 2,940.55 million (2012: Rs 902.33 million).

	Note	2013	2012 (Restated)
		(Rupees in thousand)	
8 Deferred liabilities			
Deferred taxation	8.1	8,425,732	4,705,309
Employee retirement benefits	8.2	183,084	138,446
		8,608,816	4,843,755

	Note	2013	2012
		(Rupees in thousand)	
8.1 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		14,444,242	13,421,764
Deductible temporary difference:			
Carry forward tax depreciation losses		(5,212,083)	(8,421,979)
Provision for retirement benefits		(17,328)	(17,208)
Remeasurement of defined benefit obligation		(7,314)	(1,347)
Tax credit u/s 113c		(781,785)	(275,921)
		(6,018,510)	(8,716,455)
		8,425,732	4,705,309
8.2 Employee retirement benefits			
Gratuity	8.2.1	133,575	88,195
Accumulating compensated absences	8.2.2	49,509	50,251
		183,084	138,446

		2013	2012
		(Rupees in thousand)	
8.2.1	**Gratuity**		
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligations	133,575	88,195
	Net liability at the end of the year	133,575	88,195
b)	**Movement in liability**		
	Net liability at the beginning of the year	88,195	62,734
	Charge for the year	37,448	30,812
	Benefits paid during the year	(9,116)	(6,419)
	Remeasurement changes chargeable to other comprehensive income	17,048	1,068
	Net liability at the end of the year	133,575	88,195
c)	**Charge for the year**		
	Current service cost	27,747	22,970
	Interest cost	9,701	7,842
		37,448	30,812
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	29,544	25,778
	Administrative expenses	7,782	4,531
	Distribution cost	122	503
		37,448	30,812
e)	**Total remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Experience adjustments	17,048	1,068
		17,048	1,068
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	88,195	62,734
	Current service cost	27,747	22,970
	Interest cost	9,701	7,842
	Benefit paid during the year	(9,116)	(6,419)
	Remeasurement of plan obligation	17,048	1,068
	Defined benefit obligations at end of the year	133,576	88,195

		2013	2012
g)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate	12.5%	11%
	Salary increase used for year end obligation		
	2013	-	11%
	2014 and thereafter	12.5%	11%
	Expected average remaining life	7 years	7 years

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		Impact on defined benefit obligation		
		Change in assumption	Increase in assumption	Decrease in assumption
		% age	(Rupees in thousand)	
h)	**Sensitivity analysis**			
	Discount rate	1	(125,099)	143,370
	Salary growth rate	1	143,277	(125,028)

i) The expected contribution to defined benefit obligation during the year ending December 31, 2014 is Rs 51.204 million.

		Note	2013	2012
			(Rupees in thousand)	
8.2.2	**Accumulating compensated absences**			
	Opening balance		50,251	41,921
	Add: Provision for the year		4,416	13,010
			54,667	54,931
	Less: Payments made during the year		5,158	4,680
	Net liability at the end of the year		49,509	50,251
9	**Trade and other payables**			
	Creditors		648,960	615,023
	Advances from customers		3,582,233	1,960,681
	Accrued liabilities		384,700	604,043
	Withholding tax		30,600	49,234
	Sales tax payable		344,601	880,046
	Workers Profit Participation Fund		1,322,333	798,320
	Workers Welfare Fund		251,399	-
	Retention money payable		20,761	37,871
	Provident fund payable		6,841	4,692
	Unclaimed dividend		10,551	7,294
	Others		47,716	39,523
			6,650,695	4,996,727
10	**Accrued finance cost**			
	Long term finance - secured		328,486	340,679
	Short term finance - secured		54,946	158,799
			383,432	499,478
11	**Short term finance**			
	Secured loans from Banking Companies			
	Cash Finance	11.1	964,270	329,137
	Running Finance	11.2	565,053	596,709
	Finance against Imported Merchandise	11.3	773,193	1,764,400
			2,302,516	2,690,246

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 9.66% to 11.18% (2012: 10.31% to 14.10%) per annum.

11.2 These facilities have been obtained from various banks for working capital requirements, and are secured by Pari Passu charge of Rs 5,137 million (2012: Rs 3,403 million) on present and future current assets.

The facilities carry markup ranging from 10.02% to 11.43% (2012: 10.61% to 14.14%) per annum.

11.3 These facilities have been obtained from various banks against imported merchandise. The facilities carry markup ranging from 10.02% to 13.65% (2012: 11.26% to 14.04% per annum).

11.4 The aggregate unavailed short term borrowing facilities amount to Rs 7,699.30 million (2012: Rs 6,124.14 million).

12 Contingencies and commitments

12.1 Contingencies

(i) Post dated cheques not accounted for in the financial statements, submitted by the Company to the Collector of Customs to cover excess import levies on plant and machinery aggregating to Rs 13.935 million (2012: Rs 13.975 million).

(ii) The Company has issued guarantee amounting to Rs 200 million (2012: Nil) in favor of Government of the Punjab for contribution towards Fatima Fertilizer Welfare Trust.

(iii) Under the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance), Workers Welfare Fund (WWF) was levied at 2% of the assessed income excluding income falling under the Final Tax Regime (FTR). Through Finance Act, 2008 an amendment was made in section 4(5) of the WWF Ordinance whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

In the year 2011, the Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However Sindh High Court through its order dated March 1, 2013 held that amendments made in WWF Ordinance through Finance Act, 2008 were constitutional. As there is a conflict of views in the judgments of two High Courts on one subject, we understand that the matter will ultimately be decided in Supreme Court. Legal counsel of the Company has advised to follow the judgment of Lahore High Court according to which although the company is not required to record provisions for WWF, however as a matter of prudence the management has recognized the liability for the year ended December 31, 2013 aggregating to Rs 251.399 million, while the provisions for the years 2011 and 2012 aggregating to Rs 303.362 million (2012: Rs 303.362 million) have not been recognized.

(iv) The application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied / paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011 is still pending.

The show cause notice issued by Deputy Commissioner Inland Revenue, Multan on the aforementioned subject, has been withdrawn in view of the pending adjudication at Lahore High Court, Multan Bench.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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

(v) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the excess input tax amounting to Rs 12.68 million in January 2012 sales tax return.

The Commissioner Inland Revenue Appeals (CIR(A)) has allowed input tax to the extent of Rs 2.829 million for the remaining Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR).

(vi) The Company has preferred appeals in Custom Appellate Tribunal, Lahore, against the following orders passed by:

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has irregularly claimed exemption under SRO 575(I)/2006 on import of 20 consignments of seamless pipes and raised demand of Rs 113.957 million.

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has irregularly claimed exemptions under SRO 575(I)/2006 on import of 7 consignments of deformed steel bars and raised demand of Rs 150.604 million.

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has not paid duties and taxes on licenses and engineering services amounting to Euro 1.200 million. The total demand raised is Rs 10.503 million including surcharge.

- 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 is Rs 17.936 million.

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

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 25.411 million (2012: Rs 33.966 million).

(ii) Contracts for other than capital expenditure Rs 1,627.135 million (2012: Rs 514.519 million).

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

	2013	2012
	(Rupees in thousand)	
Not later than one year	73,897	51,381
Later than one year but not later than five years	103,327	87,580
	177,224	138,961

13. Property, plant and equipment

2013

	Cost as at December 31, 2012	Additions/ (deletions) for the year	Cost as at December 31, 2013	Accumulated depreciation as at December 31, 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2013	Book value as at December 31, 2013	Annual rate of depreciation
	(Rupees in thousand)							%
Freehold land	435,069	-	435,069	-	-	-	435,069	-
Building	2,952,872	127,539	3,080,412	171,227	120,346	291,573	2,788,839	4
Plant and machinery	64,032,847	981,850	65,014,697	1,888,197	1,291,204	3,179,401	61,835,296	4
Furniture and fixtures	44,656	8,835	53,491	13,229	4,993	18,221	35,270	10
Office equipment	15,398	5,511	20,871	4,001	1,892	5,886	14,985	10
		(38)			(8)			
Electrical installations and appliances	557,889	138,361	696,193	170,193	63,437	233,627	462,566	10
		(56)			(4)			
Computers	88,644	23,128	111,686	44,502	18,104	62,596	49,090	25
		(86)			(11)			
Vehicles	121,845	46,922	168,694	74,978	19,509	94,414	74,280	20
		(74)			(74)			
	68,249,220	1,332,146	69,581,113	2,366,327	1,519,485	3,885,718	65,695,396	
		(254)			(97)			

2012

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

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

	2013	2012
	(Rupees in thousand)	
Cost of sales	1,451,764	1,427,411
Administrative expenses	65,056	54,727
Distribution cost	2,665	402
	1,519,485	1,482,540

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

13.2 Disposal of operating fixed assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	(Loss) / gain	Mode of disposal
			(Rupees in thousand)			
Laptop	66	8	58	-	(58)	Damaged
Air Conditioner	56	3	53	56	3	Company employee
Other assets having book value below Rs 50,000	132	86	46	45	(1)	Various
2013	254	97	157	101	(56)	
2012	15	6	9	2	(7)	

14 Intangible assets

2013

	Cost as at December 31, 2012	Additions for the year	Cost as at December 31, 2013	Accumulated amortization as at December 31, 2012	Amortization charge for the year	Accumulated amortization as at December 31, 2013	Book value as at December 31, 2013	Annual rate of amortization %
				(Rupees in thousand)				
Computer software	36,961	21,223	58,184	3,080	12,378	15,458	42,726	25
	36,961	21,223	58,184	3,080	12,378	15,458	42,726	

2012

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

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

	Note	2013	2012
		(Rupees in thousand)	
15 Capital work in progress			
Civil works		466,632	315,493
Plant and machinery		1,262,383	1,258,987
Advances	15.2	163,606	87,981
		1,892,621	1,662,461
15.1 Movement of capital work in progress			
Opening balance		1,662,461	1,287,735
Addition during the year		702,987	568,806
		2,365,448	1,856,541
Less: capitalization during the year		(472,827)	(194,080)
Closing balance		1,892,621	1,662,461

15.2 This includes an amount aggregating to Rs 916.082 million (2012: Rs 916.082 million) incurred on certain items procured for NPK plant.

	Note	2013	2012
		(Rupees in thousand)	
15.3 Advances			
Freehold land		1,711	1,712
Civil works		1,229	671
Plant and machinery		160,666	85,598
		163,606	87,981

16 Long Term Investment

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

	2013	2012
	(Rupees in thousand)	
17 Stores and spares		
Stores	171,400	242,815
Spares	2,567,300	1,991,825
Catalyst and chemicals	1,111,450	996,165
	3,850,150	3,230,805
18 Stock in trade		
Raw material {including in transit Rs 1,464.7 million (2012: Rs 1,363.8 million)}	2,495,415	2,286,655
Packing material	6,288	7,162
Mid Products		
Ammonia	16,777	10,594
Nitric Acid	9,120	6,675
Others	331	200
	26,228	17,469
Finished goods		
Urea	22,032	3,901
NP {including in transit Rs 1.2 million (2012: Rs 1.5 million)}	89,408	48,459
CAN {including in transit Rs nil (2012: Rs 1 million)}	34,641	144,059
Emission reductions	28,064	222
	174,145	196,641
	2,702,076	2,507,927

19 Trade debts

These are in the normal course of business, secured by way of bank guarantee and carry interest rate ranging from 0.04% to 7.27% per annum (2012: 8.18 % to 1.06% per annum).

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

20 Short term loan to associated company - considered good

This represents loan given to Pakarab Fertilizers Limited (PFL) at markup rate of 6 months KIBOR plus 2.12%. The loan is fully secured against ranking charge on all present and future fixed assets of PFL. As per the initial terms, the loan was receivable in six semiannual installments, with grace period of two and a half years.

In December 2013, the Company received a communication from PFL, notifying that the BOD of PFL has approved to repay the loan within a period of next 12 months. Based on this communication, the BOD of the Company in its meeting held on December 06, 2013, has agreed to accept the change in terms of the loan, which is its repayment before December 31, 2014.

In order to comply with the requirements of section 208 of the Companies Ordinance 1984, the Company will present the change in repayment terms in the upcoming General Meeting for shareholders' approval. The Company has already received consent from more than 75% of its shareholders to vote in favor of the special resolution to be presented in the General meeting.

Considering the above facts and substance of the transaction, whereby the above loan is expected to be recovered within one year, the company has classified it as short term loan.

	2013	2012
	(Rupees in thousand)	
21 Loans, advances, deposits, prepayments and other receivables		
Advances - considered good		
- to employees	23,801	17,009
- to suppliers	312,510	507,118
	336,311	524,127
Sales tax paid on receipts	370,811	-
Prepayments	25,849	312,655
Margin deposits held by banks	72,239	101,880
Advance income tax paid	410,214	367,825
Markup receivable	148,705	2,419
Other receivable	309,934	158,749
	1,674,063	1,467,655
22 Cash and bank balances		
At banks		
- saving accounts	7,710	395,227
- current accounts	229,350	586,877
Cash in hand	1,234	2,040
	238,294	984,144

22.1 The balances in saving and deposit accounts bear markup ranging from 6% to 9% per annum (2012: 7% to 11.5% per annum).

23 Sales

Sales are exclusive of sales tax and trade allowances of Rs 5,774.729 million and Rs 452.794 million (2012: Rs 4,742.841 million and Rs 858.306 million) respectively.

	Note	2013	2012
		(Rupees in thousand)	
24 Cost of sales			
Raw material consumed		5,458,384	4,330,413
Packing material consumed		705,426	553,936
Salaries, wages and other benefits	24.1	1,176,613	1,080,455
Fuel and power		2,639,905	2,521,843
Chemicals and catalyst consumed		349,938	429,061
Stores and spares consumed		954,209	557,719
Technical assistance		65,835	54,323
Repair and maintenance		229,893	159,975
Insurance		446,674	395,932
Travelling and conveyance		50,081	58,570
Equipment rental		95,998	81,136
Vehicle running and maintenance		31,577	38,982
Depreciation	13.1	1,451,764	1,427,411
Toll manufacturing cost		-	12,551
Others		42,643	17,087
Manufacturing cost		13,698,940	11,719,394
Opening stock of mid products		17,469	27,975
Closing stock of mid products		(26,228)	(17,469)
Cost of goods manufactured		13,690,181	11,729,900
Opening stock of finished goods		196,641	719,168
Closing stock of finished goods		(174,145)	(196,641)
		13,712,677	12,252,427

24.1 This includes charge on account of employees' retirement benefits amounting to Rs 54.868 million (2012: Rs 56.100 million).

	Note	2013	2012
		(Rupees in thousand)	
25 Distribution cost			
Salaries, wages and other benefits	25.1	277,339	254,122
Printing and stationery		2,506	5,493
Rent, rates and taxes		66,759	59,653
Advertisement and sales promotion		199,634	317,982
Transportation and freight		788,237	509,696
Others		95,647	86,998
		1,430,122	1,233,944

25.1 This includes charge on account of employees' retirement benefits amounting to Rs 27.019 million (2012: Rs 24.787 million).

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		Note	2013	2012
			(Rupees in thousand)	
26	**Administrative expenses**			
	Salaries, wages and other benefits	26.1	489,795	371,312
	Travelling and conveyance		91,222	49,367
	Vehicles' running and maintenance		40,925	23,134
	Insurance expenses		7,965	3,113
	Communication and postage		26,562	12,880
	Printing and stationery		15,474	7,882
	Repair and maintenance		66,385	39,860
	Rent, rates and taxes	26.2	20,964	15,398
	Fees and subscription		3,229	10,144
	Auditors' remuneration	26.3	3,104	3,237
	Entertainment expenses		7,280	16,453
	Legal and Professional charges		44,490	9,777
	Utilities		106,524	65,660
	Depreciation	13.1	65,056	54,727
	Amortization	14.1	12,378	3,080
	Charity and donation	26.4	47,603	18,124
	Others		50,029	34,644
			1,098,985	738,792

26.1 This includes charge on account of employees' retirement benefits amounting to Rs 21.521 million (2012: Rs 13.443 million).

26.2 Rent, rates and taxes include operating lease rentals.

		2013	2012
26.3	**Auditors' remuneration**		
	Annual audit	1,750	1,750
	Half yearly review / audit	420	400
	Other certification	340	418
	Out of pocket expenses	594	669
		3,104	3,237

26.4 **This includes:**

- Rs 3.009 million (2012: Rs 0.727 million) to Mian Mukhtar A. Sheikh Trust. Three directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar are trustees in the trust;

- Rs 6 million (2012: Rs 12.75 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 university; and

- Rs 1.2 million (2012: Rs 1.2 million) to Memon Health & Education Foundation (MHEF). The chairman of the Company, Mr. Arif Habib is Honorary Chairman of the Board of Trustees of MHEF.

		2013	2012
		(Rupees in thousand)	
27	**Finance cost**		
	Markup on long term finance	3,671,341	4,444,821
	Markup on loans from associated company	24,147	643,145
	Markup on short term finance	353,006	497,961
	Interest on Worker Profit Participation Fund	57,933	-
	Bank charges and others	62,575	187,894
		4,169,002	5,773,821
28	**Other operating expenses**		
	Workers' Profit Participation Fund	661,577	477,923
	Workers' Welfare Fund	251,399	-
	Exchange loss	97,314	28,205
	Loss on disposal of property plant and equipment	56	7
		1,010,346	506,135
29	**Other income**		
	Income from financial assets		
	Profit on short term loan to associated company	147,148	-
	Profit on saving accounts	10,418	45,510
	Gain on sale of short term investment	39,147	-
	Income from non financial assets		
	Scrap sales	26,501	12,221
	Others	22,562	9,302
		245,776	67,033
30	**Taxation**		
	Current	338,700	210,682
	Prior	-	(10,302)
		338,700	200,380
	Deferred	3,959,648	2,769,038
		4,298,348	2,969,418

30.1 Assessments for tax years upto 2013 (financial year ended December 31, 2012) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

	2013	2012
	(%)	
30.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Temporary differences	0.06	3.10
Tax effect of income chargeable to tax at lower rate	(0.08)	-
Tax effect of inadmissible expenses	0.13	-
Effect of brought forward losses	-	(5.40)
	0.11	(2.30)
Average effective tax rate charged to profit and loss account	34.89	32.70

31 Transactions with related parties

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

		2013	2012
		(Rupees in thousand)	
Relationship with the Company	**Nature of transaction**		
Associated companies			
	Short term loan	3,000,000	-
	Toll manufacturing	794,770	12,551
	Miscellaneous expenses	244,607	394,653
	Sale of product	51,780	18,907
	Purchase of raw / packing material	877,263	643,053
	Finance cost	24,146	643,145
	Other income	147,148	-
	Sale of stores and spares	39,585	9,009
	Dividend on Preference Shares	-	215,630
	Redemption / conversion of Preference Shares	-	4,000,000
	Repayment of long term finance	-	4,515,565
Related party			
	Long term investment	-	85,190
Retirement benefit plans			
	Retirement benefit expense	89,918	64,537

32 Earnings per share - basic and diluted

The calculation of the basic and diluted earnings per share is based on the following data:

	2013	2012
Profit		
Profit for the year	8,022,185	6,111,119
Preference dividend for the year	-	(215,630)
Profit attributable to ordinary shareholders	8,022,185	5,895,489

	2013	2012
	(No. of shares)	
Weighted average number of shares		
Ordinary shares for the purposes of basic earnings per share	2,100,000,000	2,064,480,874
Dilutive effect of potential ordinary shares on conversion of preference shares	-	-
Ordinary shares for the purposes of diluted earnings per share	2,100,000,000	2,064,480,874

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

	2013	2012
Basic and diluted earnings per share (Rupees)	3.82	2.86

	Metric ton	
33 Capacity and Production		
Urea		
Designed production capacity	500,000	500,000
Actual production	351,738	339,376
CAN		
Designed production capacity	420,000	420,000
Actual production	419,104	374,082
NP		
Designed production capacity	360,000	360,000
Actual production	332,539	261,740

34 Financial Risk Management

34.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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:

	2013	2012
	(FCY in thousand)	
Cash at banks – USD	16	4
Trade and other payables – USD	(384)	(384)
Net exposure – USD	(368)	(380)
Cash at banks – EUR	2	4
Trade and other payables – EUR	(291)	(291)
Net exposure – EUR	(289)	(287)
Cash at banks – GBP	-	1
Trade and other payables – GBP	-	-
Net exposure- GBP	-	1
Cash at banks – AED	3	-
Trade and other payables – AED	-	-
Net exposure- AED	3	-

The following significant exchange rates were applied during the year:

	2013	2012
	(Rupees)	
US Dollar		
Average rate	101.06	93.45
Reporting date rate	105.02	97.10
Euro		
Average rate	136.71	122.27
Reporting date rate	145.10	128.31
Pound Sterling		
Average rate	165.13	147.65
Reporting date rate	173.36	156.90
UAE Dirham		
Average rate	26.52	23.86
Reporting date rate	28.64	24.39

If the functional currency, at reporting date, had fluctuated by 5% against the USD, EUR, GBP and AED with all other variables held constant, the impact on profit after taxation for the year would have been Rs 4.024 million (2012: Rs 3.677 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2013	2012
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at Bank - saving accounts	7,710	395,227
Floating rate instruments		
Financial assets		
Trade debts – secured	99,181	138,480
Short term loan to associated company	3,000,000	-
Financial liabilities		
Long term finance	28,585,528	31,109,121
Short term finance - secured	2,302,516	2,690,246

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on long term loans at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 188.664 million (2012: Rs 202.209 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 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:

	2013	2012
	(Rupees in thousand)	
Long term deposits	10,248	11,361
Loans, advances, deposits and other receivables	1,674,063	1,467,655
Bank balances	238,294	984,144
	1,922,605	2,463,160

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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			2013	2012
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AA+	PACRA	585	267,875
Askari Bank Limited	A1+	AA	PACRA	2,547	50,092
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	-	101
Bank Alfalah Limited	A1+	AA	PACRA	20,471	-
BankIslami Pakistan Limited	A1	A	PACRA	514	75,003
Burj Bank Limited	A-1	A	JCR-VIS	27	-
Bank AL Habib Limited	A1+	AA+	PACRA	10	-
Faysal Bank Limited	A1+	AA	PACRA	22	20
Habib Bank Limited	A1+	AAA	JCR-VIS	35,924	27,282
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,969	25,047
MCB Bank Limited	A1+	AAA	PACRA	9,706	44
Meezan Bank Limited	A-1+	AA	JCR-VIS	1,909	7,558
National Bank of Pakistan	A-1+	AAA	JCR-VIS	625	11,768
NIB Bank Limited	A1+	AA-	PACRA	645	10
Silk Bank Limited	A-2	A-	JCR-VIS	56	147
Soneri Bank Limited	A1+	AA-	PACRA	5,977	1,021
Summit Bank Limited	A-3	A-	JCR-VIS	142,713	362,055
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	4,416	2,516
United Bank Limited	A-1+	AA+	JCR-VIS	7,171	1,496
The Bank of Khyber	A-1	A	JCR-VIS	-	3
The Bank of Punjab	A1+	AA-	PACRA	114	50,037
Sindh Bank Limited	A-1+	AA-	JCR-VIS	1,658	100,057

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2013 the Company has Rs 10,639.95 million (2012: Rs 7,026.470 million) unutilized borrowing limits from financial institutions and Rs 238.294 million (2012: Rs 984.144 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finance	28,585,528	5,938,078	22,647,450	-
Short term finance - secured	2,302,516	2,302,516	-	-
Trade and other payables	3,068,462	3,068,462	-	-
Accrued finance cost	383,432	383,432	-	-
	34,339,938	11,692,488	22,647,450	-

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

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

34.2 Fair values of financial assets and liabilities

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

	2013	2012
	(Rupees in thousand)	
34.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term deposits	10,248	11,361
Short term loan to associated company	3,000,000	-
Trade debts	99,181	138,480
Loans, advances, deposits and other receivables	771,149	668,286
Cash and bank balances	238,294	984,144
	4,118,872	1,802,271
Financial liabilities as per balance sheet		
Long term loans	28,585,528	31,109,121
Dividend and markup payable to related parties	-	2,917,615
Short term finance - secured	2,302,516	2,690,246
Trade and other payables	3,068,462	3,036,046
Accrued finance cost	383,432	499,478
	34,339,938	40,252,506

34.4 Capital risk management

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide maximum return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure as required by the lenders. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of debt to equity ratio.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, issue new ordinary / preference shares, or obtain / repay loans.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

35 Remuneration of directors and key management personnel

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

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	16,095	-	15,923	1,655	266,337	200,529
Housing	6,457	-	6,380	745	119,646	91,690
Utilities	-	-	-	815	26,588	20,376
Project allowance & site allowance	-	-	-	-	78,923	61,096
LFA & bonus	-	-	-	-	81,023	89,743
Others	2,943	-	1,835	3,310	21,836	16,219
	25,495	-	24,138	6,525	594,353	479,653
Retirement benefits						
Contribution to provident fund and gratuity	-	-	-	-	54,906	42,114
Accumulating compensated absences	-	-	-	-	2,650	4,181
	25,495	-	24,138	6,525	651,909	525,948
Number of persons	1	-	1	1	224	161

	2013	2012
	(Rupees in thousand)	
36 Cash generated from operations		
Profit before tax	12,320,533	9,080,537
Adjustments for :		
Retirement benefits accrued	41,864	43,822
Depreciation on property, plant and equipment	1,519,485	1,482,540
Amortization of intangible assets	12,378	3,080
Finance cost	4,169,002	5,773,821
Profit on short term loan to associated company	(147,148)	-
Gain on sale of short term investment	(39,147)	-
Profit on saving accounts	(10,418)	(45,510)
Loss on disposal of property, plant and equipment	56	7
	5,546,072	7,257,760
Operating cash flows before working capital changes	17,866,605	16,338,297
Effect on cash flow due to working capital changes		
(Increase) / Decrease in current assets:		
Stores and spares	(619,345)	(1,300,126)
Stock in trade	(194,149)	(1,292,913)
Trade debts	39,299	57,360
Loans, advances, deposits, prepayments and other receivables	(17,733)	(370,610)
Increase in creditors, accrued and other liabilities	1,650,711	338,477
	858,783	(2,567,812)
	18,725,388	13,770,485

			2013	2012
37	**Provident fund**			
	The following information is based on latest unaudited financial statements of the Fund:			
	Size of the fund	Rupees in thousands	213,663	157,143
	Total investments	Rupees in thousands	206,822	152,451
	Percentage of investments made	%	97	97

The investments are kept in saving accounts in scheduled banks and TDRs in the name of Trust, in accordance with requirements of section 227 of the Companies Ordinance, 1984.

38 Number of employees

		2013	2012
Average number of employees during the year	Number	1,763	1,680
Number of employees at end of the year	Number	1,815	1,710

39 Non adjusting events after the balance sheet date

The Board of Directors in its Meeting held on March 27, 2014 proposed a final dividend of Rs 2.50 per share (2012: Rs 2.00 per share) for the year ended December 31, 2013, amounting to Rs 5,250 million (2012: Rs 4,200 million) for approval of the members at the Annual General Meeting to be held on April 30, 2014.

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

40 Date of Authorization of Issue

These financial statements have been authorized for issue on March 27, 2014 by the Board of Directors of the Company.

41 General

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

Chief Executive **Director**

Pattern of Shareholding
as at December 31, 2013

Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2013		Shares Held	Percentage
1	**Associated Companies, Undertakings and Related Parties**		
	Arif Habib Corporation Limited	366,134,206	17.43
	Fatima Sugar Mills Limited	268,572,091	12.79
	Fazal Cloth Mills Limited	69,514,031	3.31
	Reliance Commodities (Pvt) Limited	208,863,694	9.95
	Reliance Weaving Mills Limited	2,625,166	0.13
2	**Directors, CEO and their Spouse and Minor Children**		
	Mr. Arif Habib - Chairman	185,484,638	8.83
	Mr. Fawad Ahmed Mukhtar - CEO	81,321,389	3.87
	Mr. Fazal Ahmed Shekih	101,437,205	4.83
	Mr. Faisal Ahmed Mukhtar	132,353,979	6.30
	Mr. Jørgen Nergaard Gøl	5,000	0.00
	Mr. Muhammad Kashif Habib	13,749	0.00
	Mr. M. Abad Khan	754,500	0.04
	Mrs. Zetun Arif	139,125,434	6.63
	Mrs. Ambreen Fawad	15,098,526	0.72
	Mrs. Fatima Fazal	70,311	0.00
	Mrs. Farah Faisal	56,250	0.00
	Miss Meraj Fatima	14,240,853	0.68
	Mr. Asad Muhammad Sheikh	23,207,427	1.11
	Mr. Muhammad Mukhtar Sheikh	23,207,427	1.11
	Mr. Ibrahim Mukhtar	5,157,206	0.25
	Mr. Mohid Muhammad Ahmed	5,157,206	0.25
	Mr. Muhammad Fazeel Mukhtar	5,157,206	0.25
3	**Executives**	1,720,106	0.08
4	**Public Sector Companies and Corporations**	7,481,542	0.36
5	**Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds**	84,868,964	4.04
6	**Mutual Funds**	19,105,459	0.91
	Prudential Stocks Fund Ltd	4,500	0.00
	National Bank of Pakistan - Trustee Department NI(U)T Fund	3,884,562	0.18
	CDC - Trustee Pakistan Stock Market Fund	1,627,000	0.08
	CDC - Trustee Pakistan Capital Market Fund	480,000	0.02
	Golden Arrow Selected Stocks Fund Limited	1,232,500	0.06
	CDC - Trustee Pak Strategic Alloc. Fund	496,200	0.02
	CDC - Trustee AKD Index Tracker Fund	75,434	0.00
	MC FSL - Trustee JS KSE-30 Index Fund	13,563	0.00
	CDC - Trustee Nafa Stock Fund	742,000	0.04
	CDC - Trustee Nafa Multi Asset Fund	181,500	0.01
	CDC - Trustee MCB Dynamic Stock Fund	1,227,000	0.06
	CDC - Trustee KASB Asset Allocation Fund	27,500	0.00
	CDC - Trustee MCB Dynamic Allocation Fund	117,500	0.01

Pattern of Shareholding
as at December 31, 2013

Details of holding as on December 31, 2013	Shares Held	Percentage
CDC - Trustee NIT-Equity Market Opportunity Fund	1,550,000	0.07
CDC - Trustee ABL Stock Fund	632,200	0.03
CDC - Trustee First Habib Stock Fund	50,000	0.00
CDC - Trustee Lakson Equity Fund	200,000	0.01
CDC - Trustee Crosby Dragon Fund	31,000	0.00
MCBFSL - Trustee URSF-Equity Sub Fund	85,000	0.00
CDC - Trustee Nafa Asset Allocation Fund	333,000	0.02
CDC - Trustee Pakistan Premier Fund	809,000	0.04
CDC - Trustee Nafa Savings Plus Fund - MT	3,956,000	0.19
CDC - Trustee PICIC Income Fund - MT	274,500	0.01
CDC - Trustee PICIC Stock Fund	188,000	0.01
MCBFSL - Trustee Namco Balanced Fund - MT	406,000	0.02
CDC - Trustee Atlas Income Fund - MT	415,500	0.02
CDC - Trustee KASB Income Opportunity Fund - MT	16,000	0.00
CDC - Trustee First Capital Mutual Fund	50,000	0.00
7 Shareholders holding 5 % or more voting interest		
Arif Habib Corporation Limited	366,134,206	17.43
Fatima Sugar Mills Limited	268,572,091	12.79
Reliance Commodities (Pvt) Limited	208,863,694	9.95
Mr. Arif Habib	185,484,638	8.83
Mr. Faisal Ahmed Mukhtar	132,353,979	6.30
Mrs. Zetun Arif	139,125,434	6.63

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	731,848,306	34.85
Associated Companies, Undertakings and Related Parties	915,709,188	43.61
Executives	1,720,106	0.08
Public Sector Companies and Corporations	7,481,542	0.36
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	84,868,964	4.04
Mutual Funds	19,105,459	0.91
General Public		
a. Local	225,652,410	10.75
b. Foreign	3,035,628	0.14
Foreign Companies	45,925,296	2.19
Others	64,653,101	3.08
TOTAL	**2,100,000,000**	**100.00**

Pattern of Shareholding
as at December 31, 2013

	Having Shares			
No. of Shareholders	From	To	Shares Held	Percentage
2549	1	to	100	100,247
4960	101	to	500	1,957,958
1412	501	to	1000	1,230,955
1943	1001	to	5000	5,282,046
645	5001	to	10000	5,118,147
240	10001	to	15000	3,042,222
170	15001	to	20000	3,147,407
104	20001	to	25000	2,443,548
73	25001	to	30000	2,064,673
41	30001	to	35000	1,364,873
33	35001	to	40000	1,262,708
20	40001	to	45000	860,735
63	45001	to	50000	3,129,073
11	50001	to	55000	579,558
19	55001	to	60000	1,112,676
11	60001	to	65000	693,272
11	65001	to	70000	750,451
10	70001	to	75000	732,511
7	75001	to	80000	546,884
5	80001	to	85000	415,061
1	85001	to	90000	90,000
7	90001	to	95000	649,382
35	95001	to	100000	3,495,070
2	100001	to	105000	203,600
9	105001	to	110000	967,334
11	110001	to	115000	1,251,162
3	115001	to	120000	354,293
3	120001	to	125000	375,000
4	125001	to	130000	511,750
3	130001	to	135000	402,500
5	135001	to	140000	691,520
1	140001	to	145000	142,500
10	145001	to	150000	1,484,178
5	155001	to	160000	787,500
2	160001	to	165000	326,841
3	170001	to	175000	522,333
1	175001	to	180000	178,000
5	180001	to	185000	915,000
7	185001	to	190000	1,321,166
14	195001	to	200000	2,791,780
2	200001	to	205000	406,250
1	205001	to	210000	205,500
3	210001	to	215000	640,754
3	215001	to	220000	657,000
2	220001	to	225000	450,000

	Having Shares			
No. of Shareholders	From	To	Shares Held	Percentage
2	225001	to	230000	458,000
1	235001	to	240000	235,752
3	240001	to	245000	726,284
4	245001	to	250000	1,000,000
1	250001	to	255000	254,000
2	265001	to	270000	540,000
2	270001	to	275000	549,500
1	280001	to	285000	282,500
2	295001	to	300000	600,000
2	300001	to	305000	605,335
1	305001	to	310000	309,000
2	320001	to	325000	650,000
1	330001	to	335000	333,000
1	345001	to	350000	350,000
1	355001	to	360000	360,000
2	370001	to	375000	745,263
1	385001	to	390000	388,000
5	395001	to	400000	2,000,000
1	405001	to	410000	406,000
2	415001	to	420000	833,990
2	430001	to	435000	867,409
1	445001	to	450000	450,000
1	460001	to	465000	462,000
2	470001	to	475000	950,000
1	475001	to	480000	480,000
4	495001	to	500000	1,992,507
1	505001	to	510000	505,241
1	525001	to	530000	527,862
1	530001	to	535000	533,265
2	545001	to	550000	1,100,000
2	550001	to	555000	1,108,083
1	575001	to	580000	578,936
1	585001	to	590000	587,500
1	595001	to	600000	595,071
1	630001	to	635000	632,200
1	645001	to	650000	650,000
1	670001	to	675000	675,000
2	720001	to	725000	1,447,500
1	740001	to	745000	742,000
1	745001	to	750000	749,500
1	750001	to	755000	753,687
1	755001	to	760000	758,797
1	760001	to	765000	763,500
1	775001	to	780000	780,000
1	805001	to	810000	809,000

Pattern of Shareholding
as at December 31, 2013

	Having Shares			
No. of Shareholders	From	To	Shares Held	Percentage
1	940001	to	945000	945,000
1	980001	to	985000	981,358
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,005,500
1	1015001	to	1020000	1,016,000
1	1050001	to	1055000	1,055,000
1	1095001	to	1100000	1,095,270
1	1105001	to	1110000	1,105,446
1	1165001	to	1170000	1,166,000
1	1205001	to	1210000	1,209,000
1	1225001	to	1230000	1,227,000
2	1230001	to	1235000	2,465,500
1	1325001	to	1330000	1,326,950
1	1345001	to	1350000	1,349,050
1	1450001	to	1455000	1,451,560
1	1540001	to	1545000	1,541,878
1	1545001	to	1550000	1,550,000
1	1625001	to	1630000	1,627,000
1	1705001	to	1710000	1,706,000
1	1760001	to	1765000	1,760,042
1	1830001	to	1835000	1,831,403
3	1995001	to	2000000	6,000,000
1	2005001	to	2010000	2,009,500
2	2015001	to	2020000	4,030,430
1	2130001	to	2135000	2,132,000
1	2200001	to	2205000	2,200,685
1	2445001	to	2450000	2,450,000
1	2560001	to	2565000	2,563,937
1	2575001	to	2580000	2,575,500
1	2625001	to	2630000	2,625,166
1	2910001	to	2915000	2,914,500
1	2980001	to	2985000	2,981,177
1	3055001	to	3060000	3,058,500
1	3205001	to	3210000	3,208,685
1	3790001	to	3795000	3,793,001
1	3880001	to	3885000	3,884,562
1	3920001	to	3925000	3,924,459
1	3955001	to	3960000	3,956,000
1	4450001	to	4455000	4,453,500
1	4515001	to	4520000	4,516,500
1	5115001	to	5120000	5,116,285
3	5155001	to	5160000	15,471,618
1	5295001	to	5300000	5,299,743
2	5355001	to	5360000	10,718,543
4	5370001	to	5375000	21,495,628

	Having Shares			
No. of Shareholders	From	To	Shares Held	Percentage
1	5655001	to	5660000	5,658,075
1	5725001	to	5730000	5,725,738
1	6195001	to	6200000	6,200,000
1	6240001	to	6245000	6,240,614
1	6800001	to	6805000	6,802,500
2	6850001	to	6855000	13,703,462
1	7035001	to	7040000	7,039,929
2	7735001	to	7740000	15,471,618
1	8170001	to	8175000	8,174,724
1	8865001	to	8870000	8,866,946
1	8875001	to	8880000	8,879,446
2	10015001	to	10020000	20,039,578
1	10190001	to	10195000	10,190,500
1	10345001	to	10350000	10,348,435
1	11480001	to	11485000	11,483,230
1	12115001	to	12120000	12,117,349
1	13605001	to	13610000	13,610,000
1	15350001	to	15355000	15,351,172
2	15470001	to	15475000	30,943,236
1	17910001	to	17915000	17,913,706
1	19410001	to	19415000	19,414,043
1	19905001	to	19910000	19,905,500
1	22395001	to	22400000	22,400,000
1	25045001	to	25050000	25,048,000
1	36810001	to	36815000	36,810,995
1	39510001	to	39515000	39,512,487
1	40155001	to	40160000	40,158,014
1	41160001	to	41165000	41,163,375
1	44635001	to	44640000	44,639,500
1	46610001	to	46615000	46,610,769
1	47190001	to	47195000	47,192,397
1	54160001	to	54165000	54,162,859
1	54775001	to	54780000	54,778,336
1	79280001	to	79285000	79,280,300
1	88700001	to	88705000	88,704,439
1	92800001	to	92805000	92,800,380
1	113240001	to	113245000	113,244,241
1	124495001	to	124500000	124,500,000
1	126540001	to	126545000	126,544,836
1	128130001	to	128135000	128,131,834
1	142025001	to	142030000	142,027,255
1	241630001	to	241635000	241,634,206
12640				2,100,000,000

Statement under section 160(1) (b) of the Companies Ordinance, 1984

Material facts concerning special business to be transacted at the Annual General Meeting are given below:

Item 1 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 27(I)/2012 dated January 16, 2012, it is informed that the following directors of the Company are also the directors in the investee company and the following relatives of the directors are also the shareholders of the investee company, however, the directors/relatives have no direct or indirect interest except to the extent of shareholding 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

Relatives

1) Mrs Zetun Arif
2) Mrs Ambreen Fawad
3) Ms Meraj Fatima

The information required under S.R.O.27(I)/2012 is provided below:

Sr. No.	Description	Information Required
(i)	Name of investee company or associated undertaking along with criteria based on which the associated relationship is established	Pakarab Fertilizers Limited, 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
(ii)	Amount of Loans or Advances	PKR 3.00 Billion
(iii)	Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances	Not applicable as the Company is seeking approval for prepayment of such loan to boost the Company's cash flow/liquidity and enable it, inter alia, to invest in other potentially lucrative projects.
(iv)	In case any Loan has already been granted to the said associated company or associated undertaking, the complete details thereof	Loan of PKR 3.00 billion was given pursuant to special resolution of the Company passed on June 29, 2013. It is repayable in 6 semi-annual installments for Principal after two and a half years grace period and is being charged at the interest rate of 6M KIBOR + 2.12. The Company is now seeking approval for prepayment of such loan.
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	As per the Financial Statements for the year ended December 31, 2013: PKR in Billion Authorized Capital 10.0 Paid Up Capital 4.5 Non-Current Liabilities 2.7 Deferred Tax Liability 9.9 Current Liabilities 17.4 Current Assets 7.2 Revenue 7.4 Gross Profit 0.286 Finance Cost 1.6 Loss After Tax (1.8)

Sr. No.	Description	Information Required
(vi)	Average borrowing cost of the investing company	Not applicable as the Company is now seeking approval for prepayment of a loan previously given to investee company under authority of a resolution pursuant to Section 208 of the Companies Ordinance, 1984.
(vii)	Rate of interest, mark up, profit, fees or commission etc. to be charged	Not applicable as noted above.
(viii)	Sources of funds from where loans or advances will be given	Not applicable as noted above.
(ix)	Where loans or advances are being granted using borrowed funds: 1. Justification for granting loan or advance out of borrowed funds; 2. Detail of guarantees / assets pledged for obtaining such funds, if any; 3. Repayment schedules of borrowing of the investing company	Not applicable as noted above.
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Security for the loan was previously obtained in the form of a charge over fixed assets of the investee company. This charge shall be vacated on the prepayment of the entirety of the loan.
(xi)	If the loans or advances carry conversion feature	Not applicable.
(xii)	Repayment schedule and terms of loans or advances to be given to the investee company	Not applicable as the Company is now seeking approval for prepayment of a loan previously given to investee company under authority of a resolution pursuant to Section 208 of the Companies Ordinance, 1984.
(xiii)	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Agreement: 1. The Parties agree to the prepayment of the Loan by investee company 2. The Parties agree that the Loan is to be repaid to the Company by 31 December 2014 in one or more installments by PFL. 3. On prepayment of the Loan, the charge over the fixed assets of investee company is to be vacated.
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the 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 relatives of the directors are also the shareholders of the investee company, however, the directors / relatives have no direct or indirect interest except to the extent of shareholding 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 Relatives 1) Mrs Zetun Arif 2) Mrs Ambreen Fawad 3) Ms Meraj Fatima

Statement under section 160(1) (b) of the Companies Ordinance, 1984

Sr. No.	Description	Information Required
(xv)	Any other important details necessary for the members to understand the transaction	None
(xvi)	In case of investment in a project of an associated company or associated undertaking that has not commenced operations: 1. Description of the project and its history since conceptualization; 2. Starting date and expected date of completion; 3. Time by which such project shall become commercially operational; 4. Expected return on total capital employed in the project; 5. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not applicable

Item 2 (a) of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 27(I)/2012 dated January 16, 2012, it is informed that the following Directors of the Company are also Directors in MFC and the directors have no other direct or indirect interest in the investee company:

1. Mr Fawad Ahmed Mukhtar
2. Mr Fazal Ahmed Shiekh
3. Mr Faisal Ahmed Mukhtar

The information required under S.R.O.27(I)/2012 is provided below:

Sr. No.	Description	Information Required
(i)	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Midwest Fertilizer Corporation, due to common directorship of the following: 1. Mr Fawad Ahmed Mukhtar 2. Mr Fazal Ahmed Sheikh 3. Mr Faisal Ahmed Mukhtar
(ii)	Purpose, benefits and period of investment	The purpose is to make equity investment in MFC, directly or through offshore special purpose vehicle(s) incorporated for such investment, subject to regulatory consents, as may be necessary. MFC is setting up a nitrogen fertilizer project in the State of Indiana, USA with a total cost of USD 2.4 billion. MFC plans to produce two intermediaries (Ammonia and Nitric Acid) and three end products (Urea, UAN and DEF). The plant's production capacity would be 2.59 million tons per annum which will cater for the domestic demand of the US.

Sr. No.	Description	Information Required
		US currently consumes 20 million tons per annum of Nitrogen fertilizer out of which half is imported. Therefore, the project would substitute imports and ensure timely and reliable fertilizer supply. The recent shale gas exploration in the US would enable the project to secure natural gas at competitive rates. The project intends to sell its product to the Corn Belt area adjacent to the project site in the Midwestern United States. The investment will be made over a period of 4 years. This investment would provide diversification to the Company and bring it a step forward to realizing the Company's Vision to become a world class manufacturer of fertilizers.
(iii)	Maximum amount of investment	Up-to USD 300 million over a 4 year period, provided that any such investment together with investment in any other form does not exceed USD 300 million in the aggregate.
(iv)	Maximum price at which securities will be acquired	The MFC project is a Greenfield project and the Company will determine from time to time the price at which to acquire securities in accordance with applicable laws.
(v)	Maximum number of securities to be acquired	In accordance with/based on Sr. No. iv above
(vi)	Number of securities and percentage thereof held before and after the proposed investment	In accordance with/based on Sr. No. iv above
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Not applicable.
(viii)	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not applicable.
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Not applicable.
(x)	Earning per share of the associated company or associated undertaking for the last three years	Not applicable.
(xi)	Sources of fund from which securities will be acquired	From the Company's cash reserves and from proceeds generated through financings and/or issuance of bonds in the local and/or international market.
(xii)	Where the securities are intended to be acquired using borrowed funds: (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledged for obtaining such funds	(I) The market conditions are attractive particularly the US market with US Treasury yields and credit spreads at historic lows, which will enable the Company to secure low cost borrowings (II) To be decided at the time of any borrowing.
(xiii)	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	No agreement yet.

Statement under section 160(1) (b)
of the Companies Ordinance, 1984

Sr. No.	Description	Information Required
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following Directors of the Company are also Directors in MFC: 1. Mr Fawad Ahmed Mukhtar 2. Mr Fazal Ahmed Shiekh 3. Mr Faisal Ahmed Mukhtar The directors have no other direct or indirect interest in the investee company.
(xv)	Any other important details necessary for the members to understand the transaction	None
(xvi)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely; (I) Description of the project and its history since conceptualization; (II) Starting and expected date of completion of work; (III) Time by which such project shall become commercially operational; and (IV) Expected time by which the project shall start paying return on investment	(I) As mentioned in Sr. No. ii above (II) Last Quarter of 2014 and June 2018 respectively (III) June 2018 (IV) 2018

Item 2 (b) of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 27(I)/2012 dated January 16, 2012, it is informed that the following directors of the Company are also the directors in the investee company and the directors have no other direct or indirect interest in the investee company:

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 extending these loans (guarantees).

The information required under S.R.O.27(I)/2012 is provided below:

Sr. No.	Description	Information Required
(i)	Name of investee Company or associated undertaking along with criteria based on which the associated relationship is established	MFC, in which the Company will invest either directly or through offshore special purpose vehicle(s) incorporated for such investment. Certain directors on the board of the Company are also directors of MFC.
(ii)	Amount of Loans or Advances	Up-to USD 300 million, provided that any such investment together with investment in any other form does not exceed USD 300 million in the aggregate.

Sr. No.	Description	Information Required
(iii)	Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances	MFC is an associated company and the guarantees will assist MFC in the realization of its fertilizer project. Company will also receive a commission fee for such investment and may also receive markup / interest at not less than the borrowing cost of the Company.
(iv)	In case any Loan has already been granted to the said associate company or associated undertaking, the complete details thereof	None
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Not applicable as the project has not commenced operations.
(vi)	Average borrowing cost of the investing company	Average borrowing cost of Fatima is 11.51%.
(vii)	Rate of interest, mark up, profit, fees or commission etc. to be charged	No guarantee is currently being given or investment made. If any is given, it will be provided at not less than the borrowing cost of the Company. In the case of a Guarantee, Guarantee Commission, at a rate determined by the Company's Board of Directors, shall accrue from the date any Guarantee is issued by the Company and shall continue to be accrued until the expiry or termination of the Guarantee.
(viii)	Sources of funds from where loans or advances will be given	Not applicable. However, if any amounts become due on the calling of any guarantee, the same will be sourced from the Company's own sources.
(ix)	Where loans or advances are being granted using borrowed funds: (I) Justification for granting loan or advance out of borrowed funds; (II) Detail of guarantees / assets pledged for obtaining such funds, if any; (III) Repayment schedules of borrowing of the investing company	Not Applicable.
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Security in the form of a counter guarantee or such other security acceptable to the Company will be obtained from MFC before any guarantee is given / investment is made.
(xi)	If the loans or advances carry conversion feature	Not applicable. However, in the case of a Guarantee, in the event that the guarantee is called and Company makes any payment, such amount paid by Company shall immediately become repayable, or on terms the Company determines, from MFC and will attract markup / interest.
(xii)	Repayment schedule and terms of Loans or Advances to be given to the investee company	As mentioned in Sr. No. xiii below

Statement under section 160(1) (b) of the Companies Ordinance, 1984

Sr. No.	Description	Information Required
(xiii)	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	An agreement, including as applicable, in the form of a counter guarantee shall be executed by MFC in favour of the Company securing Company's investment. Salient features that will be included are as follows: In the case of a Guarantee being issued, Guarantee Commission at the rate determined by the Company's Board of Directors shall accrue from the date any Guarantee is issued by the Company and shall continue to be accrued until the expiry or termination of the Guarantee. In the event that the guarantee is called and the Company makes any payment, such amount paid by Company shall immediately become repayable, or on terms the Company determines, from MFC and will attract markup/interest and liquidated damages in the event of any delay.
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration	Certain Directors of the Company, Mr Fawad Ahmed Mukhtar, Mr Fazal Ahmed Sheikh and Mr Faisal Ahmed Mukhtar are also Directors of MFC.
(xv)	Any other important details necessary for the members to understand the transaction	None
(xvi)	In case of investment in a project of an associated company or associated undertaking that has not commenced operations: (I) Description of the project and its history since conceptualization; (II) Starting date and expected dated of completion; (III) Time by which such project shall become commercially operational; (IV) Expected return on total capital employed in the project; and (V) Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	(I) MFC is setting up a nitrogen fertilizer project in the State of Indiana, USA with a total cost of USD 2.4 billion. The company plans to produce two intermediaries (Ammonia and Nitric Acid) and three end products (Urea, UAN and DEF). The plant's production capacity would be 2.59 million tons per annum which will cater for the domestic demand of the US. US currently consumes 20 million tons per annum of Nitrogen fertilizer out of which half is imported. Therefore, the project would substitute imports and ensure timely and reliable fertilizer supply. The recent shale gas exploration in the US would enable the project to secure natural gas at competitive rates. The project intends to sell its product to the Corn Belt area adjacent to the project site in the Midwestern United States. (II) Last quarter of 2014 and June 2018 respectively (III) June 2018 (IV) a) Return on Total Capital Employed (EBIT based) 16% p.a. b) Return on Equity (PAT based) 22% p.a. (V) N/A

Financial Calendar

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

Annual General Meeting	April 30, 2014
1st Quarter ending March 31, 2014	Last week of April, 2014
2nd Quarter ending June 30, 2014	Third week of August, 2014
3rd Quarter ending September 30, 2014	Last week of October, 2014
Year ending December 31, 2014	Last week of January, 2015

Notes

Notes

Notes

Form of Proxy
11th 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 11th Annual General Meeting of the Company to be held on Wednesday, April 30, 2014 and / or any adjournment thereof.

As witness my/our hand/seal this ____________________ day of ____________________ 2014.

Signed by ____

in the presence of ____

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

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the office of our Shares Registrar not later than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders / Corporate Entities

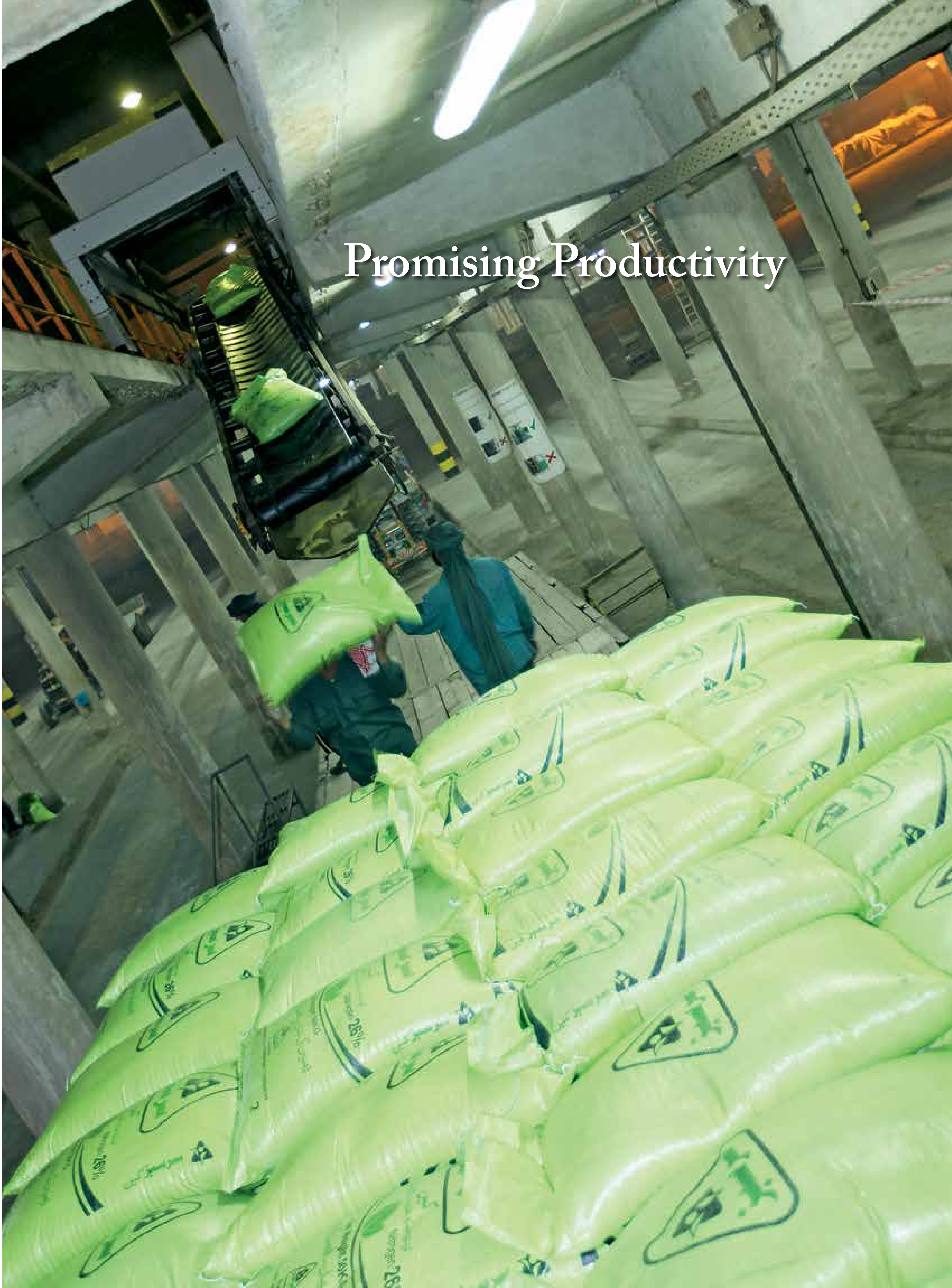
In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
(iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

AFFIX
CORRECT
POSTAGE

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

Promising Productivity



www.fatima-group.com

VANTAGE

Fatima Fertilizer Company Limited
E 110, Khayaban-e-Jinnah,
Lahore Cantt. Lahore 54000
Pakistan.