Annual Report 2010

Sarsabz Pakistan...

Nourishing soils for a greener revolution

Fatima
Fertilizer Company Limited

An idea planted at Fatima Fertilizer is nourishing the fields of Pakistan by turning them green.

Every new leaf, every new stem is our long envisaged 'sarsabz' dream. We are intricately entwined to the interest and success of our country through the most vigorous and lasting of bonds. We help cultivate our heritage- our lands- through a wider choice of nutrients thereby increasing yields.

Today with "sarsabz" we know of no other pursuit than taking up every opportunity where we can make two blades of grass where only one grew before.

Our fertilizer bags are filled with choices, the likes of which farmers need for prosperity. It's this 'sarsabz' innovation that will carry us into the future, providing peace of mind to farmers, revolutionizing the agricultural industry and helping maximize business results for every one throughout the economic cycles.

Contents

Our Vision & 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 and 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 behaviour of our directors, officers and employees and is reproduced in the form of a Policy Statement of Ethics and Business Practices as follows:

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.


FATIMA

Profile of the Company

Fatima Fertilizer Company Limited was incorporated on December 24, 2003. The project subsequently became a collaboration between two major business groups in Pakistan namely, Fatima Group and Arif Habib Group. The fertilizer complex is a fully integrated production facility, capable of producing two intermediate products, i.e., Ammonia and Nitric Acid and four final products which are Urea, Calcium Ammonium Nitrate (CAN), Nitro Phosphate (NP) and Nitrogen Phosphorous Potassium (NPK) at Mukhtar Garh, Sadiqabad.

The Complex has 56MW captive power plants in addition to off-sites and utilities. The Complex has been allocated 110 MMCFD of gas from the dedicated Mari Gas Fields. Foundation stone was laid on April 26, 2006 by the then Prime Minister of Pakistan. The construction of the Complex commenced in March 2007 and is housed on 947 acres of land. The Complex is designed to produce annually:

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

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 February 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.

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. Syed Iqbal Ashraf
Nominiee Director-NBP

Mr. Muhammad Jawaid Iqbal
Nominee Director-ABL

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Tanvir H. Qureshi
Group Head of Human Resource

Mr. Iftikhar Mahmood Baig
Chief Financial Officer

Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Asad Murad
Head of Internal Audit

Mr. Shahid Saeed
Head of Information Technology

Mr. Javed Akbar
Head of Procurement

Audit Committee

Mr. Muhammad Kashif Habib
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Muhammad Jawaid Iqbal
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Muhammad Jawaid Iqbal
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)

Registrar & Share Transfer Agent

THK Associates (Pvt) Limited
Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road,
Karachi - 75530.
Tel: No. 92-21-111-000-322
Fax: No. 92-21-35655595

Bankers

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank of Punjab
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Silk Bank Limited
Faysal Bank Limited (formerly The Royal Bank of Scotland Limited)
United Bank Limited
The Bank of Khyber
Pak China Investment Company Limited (“NBFI”)
Pak Libya Holding Company (Pvt) Limited (“NBFI”)
Saudi Pak Industrial & Agricultural Investment Company Limited (“NBFI”)

Registered Office

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

Head Office

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

Plant Site

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

Profiles of the Directors

Mr. Arif Habib
Chairman

Mr. Arif Habib is the Chairman of Fatima Fertilizer Company Limited. He is also the Chairman of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Thatta Cement Company 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

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 27 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 Fertilzer Education Society and School, Mukhtar A. Sheikh Welfare Trust etc. He also holds the following portfolio:

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

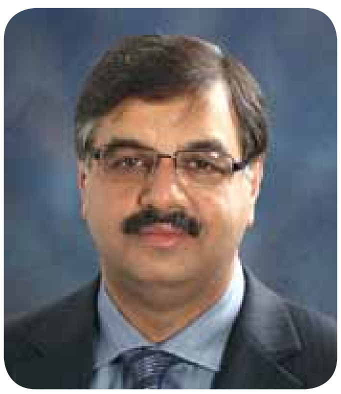
CEO
- Pakarab Fertilizers Limited
- Fatima Sugar Mills Limited

Mr. Fazal Ahmed Sheikh

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 portfolio:

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

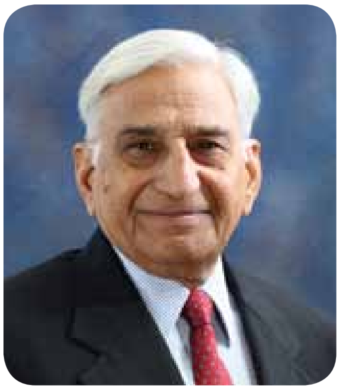
Mr. Faisal Ahmed Mukhtar is a Director of the company. He holds a Law degree from Bahauddin Zakariya University, Multan. He is the former Mayor of Multan and continues to lead welfare efforts in the city. He also holds the following portfolio:

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
- Syndicate of Bahauddin Zakariya University, Multan
- Provincial Finance Commission
- Steering Committee of Southern Punjab Development Project
- Decentralization Support Program

Profiles of the Directors



Mr. M. Abad Khan

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

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

He has been with Fatima group for almost 5 years and played significant role in establishment of Fatima Fertilizer.

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

Mr. Muhammad Kashif Habib

Mr. Muhammad Kashif Habib is a Director of the Company. He has completed C.A. Intermediate from the Institute of Chartered Accountants of Pakistan (ICAP) and has completed his mandatory Articles with M/s. A. F. Ferguson & Co. Chartered Accountants. He is also director of Pakarab Fertilizers Limited, Arif Habib Corporation Limited, Arif Habib Investments Limited, Nooriabad Spinning Mills (Pvt) Limited, Rotocast Engineering (Pvt) Limited, Real Estate Modaraba Management Company Limited, Thatta Cement Company Limited, Arif Habib REITS management Limited (AHRML) and the Chief Executive of Al-Abbas Cement Industries Limited.

Mr. Jørgen Nergaard Gøl

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 M/s Haldor Topsoe 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 Topsoe Houston office. From 1992 to 1997 as Product Manager of Hydrogen and Synthesis Gas-Related Technologies and from 1997 to 2005 Sales Manager of the Hydrogen, Synthesis and Methanol Technology Group in the Technology Division.

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

Mr. Syed Iqbal Ashraf
Nominiee Director-NBP

Syed Iqbal Ashraf is a nominee director of National Bank of Pakistan (NBP). NBP appointed Mr. Syed Iqbal Ashraf as Senior Executive Vice President and Group Chief of Corporate and Investment Banking Group (CIBG) in June 2010.

Syed Iqbal Ashraf brings with him over 33 years of International banking experience serving in senior positions in UK, USA, Middle East and Pakistan.

Syed Iqbal Ashraf is a Fellow of Association of Chartered Certified Accountants (FACCA) from England, where he was educated and also started his career in banking. After working in the UK, USA and UAE for 19 years, he returned to Pakistan.

Mr. Muhammad Jawaid Iqbal
Nominiee Director-ABL

Mr. Iqbal is a Chartered Financial Analyst and holds a Masters in Business Administration degree with almost 20 years of experience in the field of Corporate and Investment Banking. He joined ABL in May 2005 and has been instrumental in setting up of the Corporate and Investment Banking Group at ABL. In a short span of six years, ABL has emerged as one of the leading corporate and investment banks and has won numerous awards.

Prior to joining ABL, he served at National Bank of Pakistan, the largest commercial bank in the country and at Emirates Bank International. He is currently the president of the CFA Association of Pakistan. He also holds directorships in Hub Power Company Ltd., Atlas Power Limited, ABL Asset Management Company Limited and Inbox Technologies.

Board Structure and Committees

Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. It comprises of nine directors, seven of whom have been elected by the shareholders for a term of three years expiring on April 30, 2011 and two directors are nominees of lenders, one each from National Bank of Pakistan and Allied Bank Limited. One Board member represents M/s Haldor Topsoe a Global leader in catalyst technology and technical advisor to many Fertilizer projects internationally. Other than the Chief Executive Officer (CEO), there are two executive director and six non-executive directors including the Chairman and nominee directors.

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

The Board is headed by the Chairman who manages the Board's business and acts as its facilitator and guide. The Board is assisted by an Audit Committee and a Human Resource and Remuneration Committee while the CEO has 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. Muhammad Jawaid Iqbal
   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 audit Committee are non-executive directors. The members are:

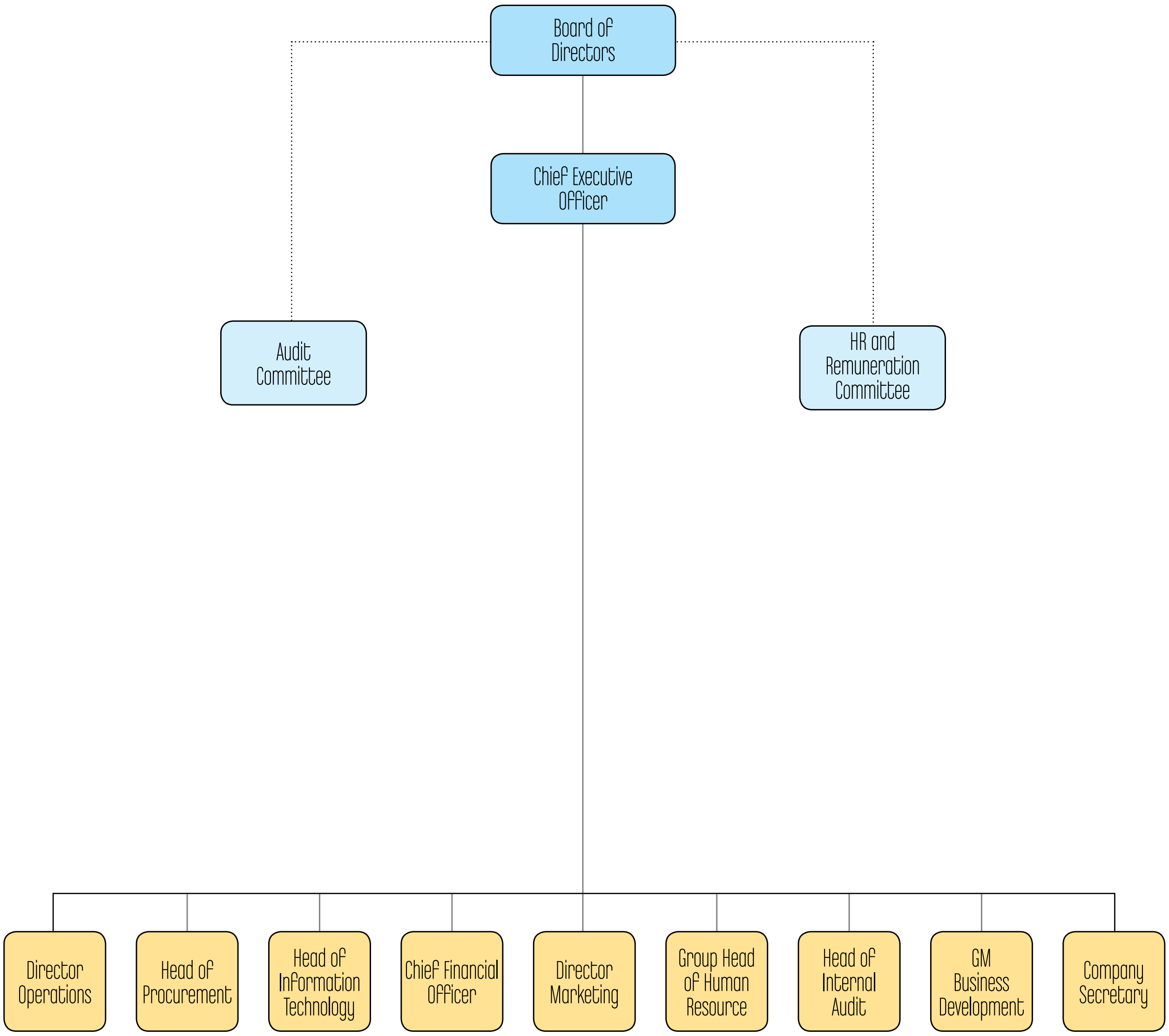
1. Mr. M. Abad Khan
   Chairman
2. Mr. Muhammad Jawaid Iqbal
   Member
3. Mr. Muhammad Kashif Habib
   Member
4. Mr. Faisal Ahmed Mukhtar
   Member

Terms of Reference (under review and approval)

The Human Resource and Remuneration Committee is entrusted with the following main tasks:

a) To review and recommend the annual compensation strategy with focus on the annual budget for head count and salaries and wages
b) To review and recommend the annual bonus and incentive plan
c) To review and recommend the compensation of the Chief Executive Officer and Executive Directors.
d) To assist the Board in reviewing and monitoring succession plans of key positions in the Company
e) To review and monitor processes and initiatives related to work environment and culture
f) To perform such other duties and responsibilities as may be assigned from time to time by the Board of Directors.

Organization Chart

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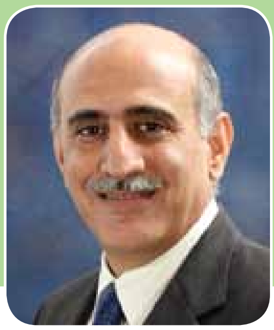
Key Management

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 29 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. Muahammad Zahir
Director Marketing

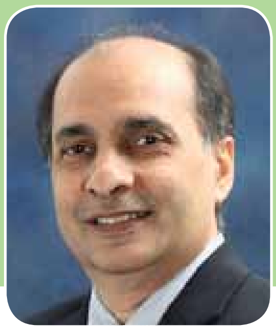
Mr. Muhammad Zahir holds a Masters degree in Business Administration from the Institute of Business Administration, Karachi. He spent 29 years with ICI Pakistan working in its various businesses and the Human Resource Function. He served as an executive Director on the Board of ICI Pakistan. He has diverse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

Mr. Tanvir H. Qureshi
Group Head of Human Resource

Mr. Tanvir H. Qureshi is working as Group Head of Human Resource. Mr. Qureshi has over 24 years of professional experience in pharmaceutical, banking and fertilizer industries, in the fields of Human Resource, Finance, Economics and Corporate and Strategic Planning. He worked at Bankers Equity Ltd and Muller & Phipps Pakistan (Pvt) Ltd, prior to joining Fatima Group. He did his Masters in Business Administration from IBA, Karachi, and Masters in Economics and LLB from the University of Karachi. He joined the Group in early 2009.

Mr. Iftikhar Mahmood Baig
Chief Financial Officer

Mr. Iftikhar Mahmood Baig is working as Chief Financial Officer and GM Business Development of the Company since its incorporation. He also remained Company Secretary of the company till May 27, 2010 since its incorporation. Mr. Baig is associated with the Fatima Group since 1996 and has held various middle and senior level management positions. He is a Fellow member of Institute of Chartered Secretaries and Managers of Pakistan. He has over 24 years of experience in Corporate , Strategic Planning and Financial Management of various companies.



Ausaf Ali Qureshi
Company Secretary

Mr. Ausaf Ali Qureshi is a Fellow Member of Institute of Chartered Accountants of Pakistan. He has over 27 years of experience with Fauji Fertilizers, 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.

Asad Murad
Head of Internal Audit

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan He has 12 years of experience of handling finance and business planning functions with Honda Atlas Cars (Pakistan) Limited.

Shahid Saeed
Head of Information Technology

Mr. Shahid Saeed holds a Masters degree in Information Technology, from the UK. He has more than 25 years of national and international experience in the financial, telecom and utility sectors. He has managed several major projects in the financial and telecom domains. Mr. Saeed has held senior positions for more than 10 years during which he has managed an offshore IT unit of a major European Bank, launched a major telecom company as part of the original core team.

Javed Akbar
Head of Procurement

Mr. Javed Akbar is a Mechanical Engineer from NED University of Engineering and Technology Karachi, and graduated in computer science from university of Mississippi, USA. He brings with him around 25 years of experience including more than 15 years in Pakistan including Philips, Alcatel, Mobilink and PTCL. Mr. Akbar is registered as Professional Engineer with Pakistan Engineering Council. He is also a member of Institute of Engineers, Pakistan.

Chairman's Message

Project Implementation Status

Fatima Fertilizer's plants became operational under trial run in 2010. Ammonia, Urea, Nitric Acid and CAN Plants started trial production towards the end of March 2010. CAN trial production was however, successfully achieved for a short period in late 2009 with imported raw materials. Related offsite and utilities units and Product Handling and Storage sections also became operational since March/ April 2010.

Extensive efforts were made to stabilize the plant operations and improve reliability and efficiency. Performance of plants continued to improve over the year. Ammonia plant produced 254,909 MT with an availability factor of 79%. Maximum operating load achieved by Ammonia plant is 88%. Urea plant produced 322,756 MT with an availability factor of 84%.

CAN plant operation was stabilized gradually and the plant produced 175,619 MT during 2010 with an annual availability factor of 70%. Maximum operating load achieved by CAN plant was 84%. Nitric Acid operation has been dependent upon acid requirement by CAN plant. Total acid produced during 2010 is 131,797 MT (100% basis). The plant demonstrated stable operation at 90% load and can easily operate at design capacity, once the demand is there after NP plant comes on-stream in 2011.

Ammonia plant operation at full load was not a requirement this year as NP plant is still under construction. In addition, Ammonia plant operation at design capacity was hindered due to lower than expected Natural Gas pressure at Mari fields, which is being alleviated by installation of booster compressors at Mari. Further, Ammonia plant was commissioned without installation of a part of heat recovery section and some new high pressure process piping due to their late arrival at site. All such mechanical issues of Ammonia plant are being addressed in Annual Turnaround planned in March, 2011. This shall enable Ammonia plant to operate at design capacity before commissioning of NP plant.

Your Company is looking at a potential market for Nitric Acid locally as well as internationally and preparations are in hand to develop facility for filling Nitric Acid in 35L Jerry Cans or 210L drums. Sales of packaged Nitric Acid have been identified to local as well as international customers.

Civil works of NP plant have been significantly completed and mechanical work is also expected to be completed shortly. Plant commissioning is expected to begin in March 2011 with trial production expected to begin in April 2011.

Fertilizer Market

Farm economies have improved significantly, encouraging farmers to apply more fertilizers. Prices of fertilizers have been increasing dramatically with factors such as input cost (Phosphate and Sulphur prices) jumped significantly. However with other key drivers remaining strong, that are farm economies and global food security concerns, the demand for fertilizers is expected to remain firm.

Our strategy is to strengthen ourselves as the nitrogen and phosphate specialists in Pakistan. With the addition of NPK to the product portfolio, we will achieve our objective to be the only fertilizer manufacturer offering balanced soil nutrition. Our target consumer, the farmer, will benefit not only in terms of improved quality of products with Fatima Fertilizer launching granular CAN and the finest Urea prill, but this nitrogen, phosphorous and potash blend in the right proportions will ensure timely replenishment. The farmer and our business partners will have the added convenience of having all their fertilizer requirements met from one source.

Fatima Fertilizer's marketing and sales strategy will benefit from the existing marketing and distribution structure of an associated company, Pakarab Fertilizers Limited. The combined operations will be able to leverage our channel and warehousing network while we augment and revamp our organization to deliver differentiating customer focus. With volumes anticipation being more than double the company will look to expanding the network with the sole objective of making fertilizers more accessible to the ordinary farmer and reduce his route to buying. The synergies by integrating the marketing operations of the two entities will ultimately strengthen the company's market position.

Karachi
February 24, 2011

Arif Habib
Chairman

Notice of Eighth Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Thursday, March 31, 2011 at 10:00 A.M. at Royal Palm Golf and Country Club, 52-Canal Bank Road, Lahore to transact the following business.

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on April 30, 2010.
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, 2010.
3. To appoint Auditors for the year ending December 31, 2011 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:

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

By order of the Board

Ausaf Ali Qureshi
Company Secretary

Lahore: March 10, 2011.

Notes:

1. The share transfer books of the Company will remain closed from March 25, 2011 to March 31, 2011 (both days inclusive). Transfers received in order at the office our Shares Registrar, M/s THK Associates (Pvt.) Limited, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi. 75530 P.O. Box No. 8533, by the close of business on March 24, 2011 will be treated in time.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
3. Proxies in order to be effective must be received at the office of our Shares Registrar not later than 48 hours before the time for holding meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC number and signatures.
4. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original NIC to prove identity, and in case of proxy, a copy of shareholder's attested computerised national identity card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose. CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting:

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

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

B. For appointing proxies:

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

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

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

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

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

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

On behalf of the Board of Directors of Fatima Fertilizer Company Limited, I am pleased to present the Annual Report of your Company and the audited financial statements for the year ended December 31, 2010 together with auditors' report thereon and a brief overview of operational and financial performance of the Company.

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Operational Review

The Company's Ammonia, Urea, Nitric Acid and CAN plants started trial production towards the end of March 2010. CAN trial production was however, successfully achieved for a short period in late 2009 with imported raw materials. Related offsite and utilities units and product handling and storage sections also became operational since March/April 2010.

Extensive efforts to stabilize the plant operations and improve reliability and efficiency were made by your Company and performance of plants continued to improve over the year. Ammonia plant produced 254,909 MT with an availability factor of 79% and maximum operating load achieved by this plant was 88%. Urea plant produced 322,756 MT with an availability factor of 84%.

CAN plant operation have stabilized gradually and the plant produced 175,619 MT during 2010 with an annual availability factor of 70%. Maximum operating load achieved by CAN plant was 84%. Nitric Acid operation has been dependent upon acid requirement by CAN plant. Total acid produced during 2010 is 131,797 MT (100% basis) and the plant demonstrated stable operation at 90% load and can operate at design capacity, once the NP plant comes on-stream in 2011.

Ammonia plant operation at full load was not a requirement as NP plant is still under construction. In addition, Ammonia plant operation at design capacity was hindered due to lower than expected natural gas pressure at Mari Gas Fields, which is being alleviated by installation of booster compressors at Mari. Further, Ammonia plant was commissioned without installation of a part of heat recovery section and some new high pressure process piping due to their late arrival at site. All such mechanical issues of Ammonia plant are being addressed in Annual Turnaround planned in March, 2011. This shall enable Ammonia plant to operate at design capacity before commissioning of NP plant.

Your Company is looking at a potential market for Nitric Acid locally as well as internationally and preparations are in hand to develop facility for filling Nitric Acid in 35 Ltr Jerry Cans or 210 Ltr drums. Supply capability of packaged Nitric Acid have been identified to local as well as international customers.

Civil works of NP plant have been significantly completed and Mechanical work is also expected to be completed shortly. After plant commissioning trial production is expected to begin in April 2011.

Fertilizer Marketing Review

International Scenario

The fertilizer business began to show signs of recovery in 2010. With continued improvement in crop commodity prices in the wake of calamities in some parts of the world the demand for fertilizer has steadily improved in 2010. With China's participation in global sales steadily on the decline and its continued internal growth in demand the global availability is and will continue to be affected.

Domestic Market

Agriculture

Major crops during the year saw record high prices and gains for the farming community. This was particularly evident for cotton and sugarcane, where as for wheat, rice and maize the prices remained fairly attractive. However the devastating floods on the back of unprecedented monsoons wreaked havoc in the agricultural belts in the north and south of the Country. This cast a pall of gloom on the agriculture sector and on the economy of the country as a whole. However, despite the general consensus on the negative impact of the floods, cotton prices and sugarcane prices continued to rise, both locally and internationally. In the aftermath of the floods, sowing in the affected areas for wheat commenced ahead of time where as in southern parts it was delayed as growers continued to get excellent prices for cotton. The improved financial position of the farming community is expected to translate into improved investment in soil nutrients like fertilizer etc.

Fertilizer Industry

Start of the year was fairly normal but by the end of the first quarter the specter of the gas shortage was fast becoming a reality. In April Government directed the industry to prepare for curtailment for one quarter upto July 31, 2010. The industry advised the government on the shortages that would occur. Consequently the Government went ahead with a significant import of 600,000 tons of Urea for Kharif. With widespread rains the mammoth floods soon followed and fertilizer demand plummeted by over 30% in the season. With the combined impact of heavy imports and


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low off take the industry piled up an inventory of 800,000 tons of Urea at the close of September, a significant high in recent history. During the same period DAP inventory also ballooned to over 420,000 tons as sales dropped by 45% versus 2009. Sales bounced back for both the categories in the last quarter. A number of reasons buoyed the yearend rally. Early sowing of wheat, continued good returns on cotton and sugarcane, strengthening of the international DAP prices and most significantly the possibility of the imposition of RGST on fertilizers spurred buying. As a consequence, the Urea market decline was restricted to only 6% compared to the previous year and DAP volumes registered a 25% shortfall against 2009. Local production grew primarily on account of the additional volume injected by the start up of Fatima's production volume. Thus, the total industry sales for urea ended the year at 6,092,000 tons with the Government's volume reduced by 460,000 tons to 1 million tons.

With a sales of over 300,000 tons of urea, Fatima Fertilizer substituted imports thereby reducing the foreign exchange and significant subsidy requirements of the Government of Pakistan. CAN sales of 168,000 tons were well received with the granular product becoming popular very quickly.

Financial Performance Review

The Urea and CAN trial production volumes have been sold amounting to Rs. 7 billion during its first year of trial operations. Production being of a trial nature net results of operations have been capitalized in Capital Work in Progress. Loss after tax of Rs. 164 million represents mainly administration related costs and minimum tax liability for the year.

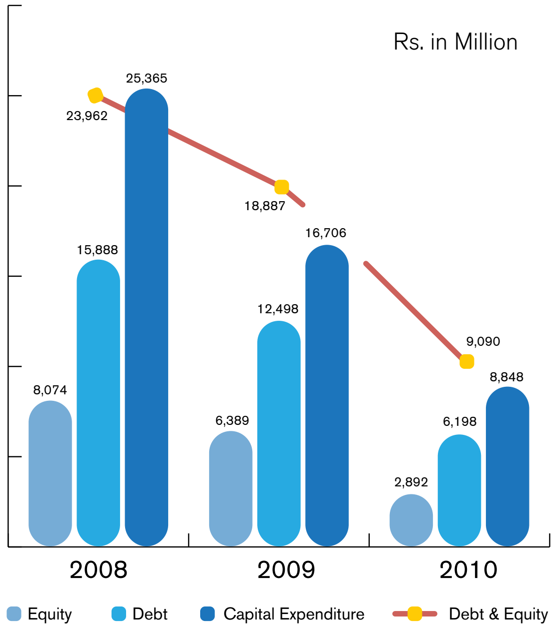
As on December 31, 2010 the plant wise trial production is as follows:

Plant	Capacity Utilization	Total Production (MT)
Urea	93%	322,756
CAN	59%	175,619
Nitric Acid	69%	131,797
Ammonia	76%	254,909

Additional project finance for Rs. 1,919 million has been arranged during the year. Equity of Rs. 2,790 million was raised by public issue, through a successful IPO, of 10% of total ordinary share capital during the month of February 2010. Major costs incurred on the project during the year remained on NP plant and mark up serving to the lenders.

The company is arranging short term credit from financial institutions in order to ensure the availability of working capital required for the smooth operations of the project. The management expects that once NP is fully operational liquidity position of the company would strengthen further.

Financing & Capital Expenditure



Rs. in Million

Financial Position	2010	2009	2008
Fixed Capital Expenditure	65,134	54,978	37,200
Issued, subscribed and paid-up capital	20,000	18,000	8,935
Share deposit money for ordinary shares	-	-	6,574
Preference Shares / Advance for Preference Shares	4,000	3,898	-
Share premium	790	-	-
Borrowings	37,763	31,249	18,750

Major Cash Inflows / (Outflows)			
Finance cost paid	(5,153)	(3,530)	(422)
Fixed capital expenditure	(3,695)	(13,176)	(24,943)
Receipts from Ordinary shares	2,790	2,491	8,074
Receipts from Preference shares	102	3,898	-
Receipts from Long term loans	6,198	12,498	15,888

Financial Management

Your Company has an efficient Cash Flow Management System whereby cash inflows and outflows are projected on monthly basis. Financing requirements are planned to be met through internal cash generations and external sources where necessary.

The sponsors have increased investment in the company from Rs. 12.3 billion to about Rs. 30 billion enabling the company to commence trial production of Urea and CAN.

The management is satisfied that there is no short term or long term financial constraints including accessibility to credit.

Risk Mitigation

Credit Risk

All financial assets of the Company, except cash in hand, are subject to credit risk. After considering the strong financial standing of the counter parties, the management believes that the company is not exposed to major concentration of credit risk.

Liquidity Risk

Efficient liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The company's cash flow management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

Interest Rate Risk

Long-term financing with variable interest rate is hedged against interest rate risk by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates.

Foreign Exchange Risk

Foreign exchange risk arises where receivables and payables exist due to transactions in foreign currencies. The company is mainly exposed to foreign exchange risk on its import of plant and machinery and import of rock phosphate, catalysts, stores and spares.

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has done the second credit rating of the company during the year 2010. PACRA has maintained A and A1 as long term and short term rating respectively. The ratings reflect Fatima Fertilizer's progression in terms of project completion and potentially low business risk underpinned by robust product demand.

Contribution to National Exchequer and Economy

An amount of Rs. 493 million was contributed during the year in respect of Custom duties, Sales tax and Income Tax. Your Company has received "Certificate of Excellence Award" from Model Customs Collectorate Multan on being the leading importer in the region on the occasion of International Customs Day.

Statement as to value of investment of Provident and Gratuity Funds

An amount of Rs 50 million has been invested in UTTIP scheme of United Bank Limited at a profit rate of 10.15%.

American Depository Receipt Program

The Company is launching a sponsored Level I ADR Program, while introducing itself to international capital markets having current focus on the United States. The proposed transaction is conceived after gaining an encouraging response by the institutional investors, high net worth individuals and the general public on Fatima's domestic public offering carried out in February 2010 (which was over-subscribed).

The sponsored Level 1 ADR Program is designed to facilitate the secondary trading of Fatima's equity securities on the international markets. The Company will neither be raising fresh capital nor getting listed on the international stock exchange(s). Under this Program, owners of shares of Fatima (i.e. non-resident shareholders who hold Fatima's shares on a repatriable basis) will be able to deposit such shares with the Bank of New York Mellon (the "Depository") or with its Custodian bank (in this case Standard Chartered Bank Pakistan) and will be issued ADRs (or ADS's, as the case may be) representing such shares. These ADRs (and ADS's) will then be available for trading in the US over-the-counter markets.

Rating by PACRA

Long term	A
Short term	A1

Corporate Social Responsibility

Fatima Fertilizer Trust for Welfare Hospital

Fatima Fertilizer has established a Trust to construct and run a Welfare Hospital at Sadiqabad that will be worth Rs. 300 million. This hospital will serve as centre of quality treatment and health facilities with specialized units for Hepatitis treatment, Trauma and emergencies. Sadiqabad being located at the junction of three provinces (Sind, Baluchistan and Punjab) is considered to be the ideal location for proposed Hospital to give benefit to the maximum population of far flung areas.

Flood Affectees' Rescue and Rehabilitation Program

Fatima Fertilizer launched an effective rescue and rehabilitation program for the flood affected people in close liaison and coordination with Distt Govt. and Military officials (51 Brigade). Dry rations were dropped through Army aviation sorties as an emergency response to the helpless affectees surrounded by flood waters in Distt Rahim Yar Khan. Two dozen boats were hired and handed over to Military officials for timely rescue efforts. Cooked food, mineral water and milk packs were provided for 2000 persons daily at flood relief camps established by Distt Govt., consecutively for two months. Army and Civil Medical camps were assisted by our Medical Officer and supply of medicines was ensured as donation.

Fatima Fertilizer Education Society and Schools

Fatima Fertilizer Education society is a registered organization and effectively running an English medium school to meet the educational needs of employees' children. Fatima Fertilizer School being run by top professional faculty of educationists has given outstanding results during last three years. Fatima Fertilizer Education Society has further started a comprehensive program of adopting the neglected Govt. Schools of the area. Through this program, Fatima Fertilizer will not only meet the deficiencies of the school building, staff and syllabus but will also give specific attention to teachers training, talent scholarships and student nutrition.

Danish Schools Management

Keeping in view the services and role of Fatima Fertilizer towards corporate social responsibility, Resident Manager Fatima Fertilizer has been appointed as member Board of Governors Danish Schools by the Government of Punjab for future sustainability and management of Danish School. Danish School Rahim Yar Khan is a noble cause which is aimed at providing high standard education to orphans and the deprived children of Rahim Yar Khan and surrounding areas. Fatima Fertilizer has also made its contribution towards this philanthropic cause.

Health Safety and Environment – Highlights 2010

Fatima Fertilizer's Performance in this all important domain of business has seen new levels of excellence. Site team has met time lines and demanding needs of safe transition from construction to commissioning to normal operations following setup of the NP Plant. Management's commitment and core team's efforts yielded excellent results on training and raising awareness standards at the Fatima complex. Important milestones achieved towards HSE Excellence during 2010 are listed below;

- Site completed 2.6 Million safe man hours of operations during 2010.
- More than 15,000 man hours of HSE related trainings – by core HSE team and Specialized HSE Trainers.
- 14 Emergency exercises on pre-planned scenarios were conducted along with one overall complex wide emergency evacuation drill.
- EPA Punjab endorsed the Environmental arrangements at Fatima Complex and site was awarded with operational Phase NOC for its operations.
- HSE Week was celebrated during December 2010, involving community, contractors and Employees. CEO and Advisor Fertilizer Division also participated along with top management on final day ceremony.
- Site Management approved a road map for accreditation to ISO 14001 and 18001 by the first quarter of 2012.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Objective training Programme

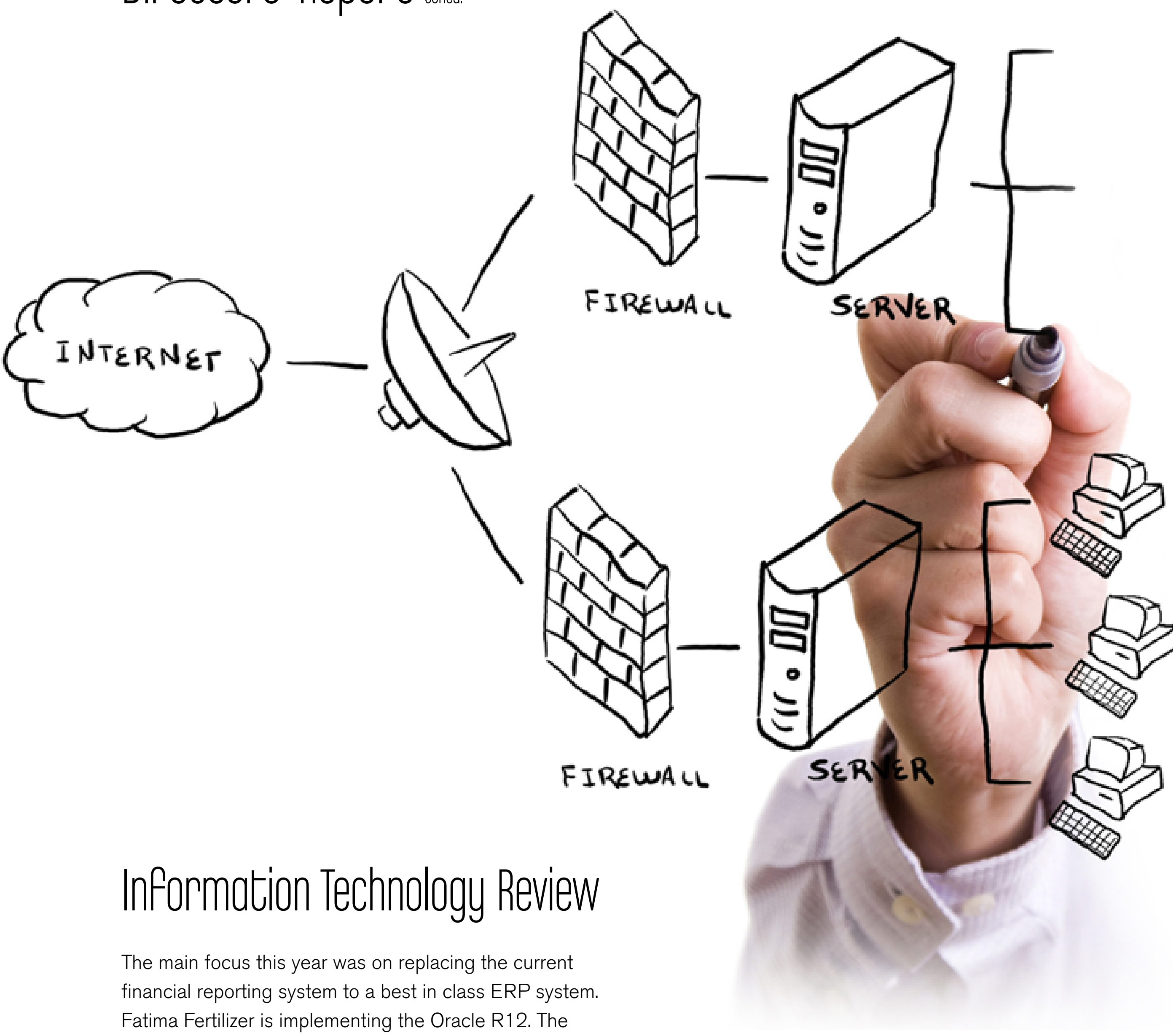

Team building training


Participants of HR committee

Human Resource Management

Human resource function at Fatima Fertilizer has played its professional role of business partnering. There has been emphasis and effort to enable employees to excel in their careers and contribute towards the achievement of corporate goals and objectives. HR, during the year took many initiatives, including:

- Development of a professional HR team
- Recruitment of industry best professionals across all functions
- Bench marking with industry to align with external equity
- Job evaluation on Hay System
- Training and development for all employees
- Career progression within and across different functions
- Organization development
- Development of corporate goals and objectives
- Development of individual goals and objectives and its transparent performance measurement
- Development of corporate communication function
- Participation in corporate social responsibility related actions



Information Technology Review

The main focus this year was on replacing the current financial reporting system to a best in class ERP system. Fatima Fertilizer is implementing the Oracle R12. The new system will provide improvements in accurate costing of inventory and increased standard reporting. The migration has allowed Fatima Fertilizer to further refine the Chart of Accounts providing a more detailed underlying classification. This will help improve reporting and decision making and ensure that inventory is kept at optimum levels. The migration from legacy system to Oracle R12 has commenced and reconciliation is underway.

Fatima Fertilizer has witnessed a growth in the use of IT services and in 2011 we will be looking to enhance our Enterprise Data Network to cater for current and future growth. Other areas of focus will be cost reduction through consolidation of all resources from all locations to a central data centre. This will allow centralized monitoring of all critical applications through a single site and team. We will also introduce standardization of all IT assets. Standardization will enable us to create a common platform easing purchase, upgrades, repair of hardware and ensure a more stable and secure environment through a common application infrastructure.

Fatima Fertilizer will continue to implement the remaining ERP modules with the end result of a complete fully integrated ERP covering all areas of Manufacturing, Inventory, Procurement, Finance and HR.

Code of Corporate Governance

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

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results 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 Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.

e) The system of internal control is sound in design and has been effectively implemented by the management and monitored by the internal auditor as well as the Board of Directors and Board's Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggests, whenever required, further improvement in the internal control system. The internal controls are also reviewed by the external auditors.

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

g) There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

Directors' Report contd.

Changes in the Board

Mr. M. Nasir Butt tendered his resignation from the Board on. June 7, 2010 and in his place Mr. Jørgen Nergaard Gøl from M/s. Haldor Topsøe A/S has been appointed as an independent non-executive director on June 9, 2010. Mr. Muhammad Jawaid Iqbal from Allied Bank Limited and Mr. Syed Iqbal Ashraf, in place of Mr. Masood Karim Shaikh, from National Bank of Pakistan have been appointed as Nominee Directors on the Board on July 26, 2010 and October 18, 2010 respectively. The Board expresses its appreciation for the services rendered by the outgoing Directors and welcomes Mr. Jørgen Nergaard Gøl, Mr. Muhammad Jawaid Iqbal and Mr. Syed Iqbal Ashraf on the Board.

Changes in the Audit Committee

Mr. Faisal Ahmed Mukhtar and Mr. Muhammad Jawaid Iqbal were appointed as non executive members of the Audit Committee on August 24, 2010. The Committee welcomes the new members. The statutory composition of the Committee remained intact with this change.

Board and Audit Committee Meetings and Attendance

During the year under review, four meetings of the Board of Directors and four meetings of the Audit Committee were held from January 01, 2010 to December 31, 2010. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings
Mr. Arif Habib	4	-
Mr. Fawad Ahmed Mukhtar	4	-
Mr. Fazal Ahmed Sheikh	3	4
Mr. Faisal Ahmed Mukhtar	3	-
Mr. M. Abad Khan	4	4
Mr. Jørgen Nergaard Gøl	1	-
Mr. Muhammad Kashif Habib	4	4
Mr. Muhammad Jawaid Iqbal	1	1
Mr. Syed Iqbal Ashraf	-	-
Mr. M. Nasir Butt	2	-
Mr. Masood Karim Shaikh	-	-

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

Mandatory Certification of the Directors

In adherence to the Code of Corporate Governance, the Board of Directors of the Company has nominated Mr. Muhammad Kashif Habib for getting mandatory certification of Pakistan Institute of Corporate Governance (PICG) in compliance with clause (xiv) of the Code of Corporate Governance and Mr. Muhammad Kashif Habib has successfully completed part 1 of the Corporate Governance Leadership Skills Program of PICG.

Pattern of Shareholding

The detailed pattern of the shareholding and categories of shareholders of the Company as at 31st December 2010, as required under the listing regulations, have been appended to the Annual Report on page 82.

Trading in Shares of the Company by Directors and Executives

All trades in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

Name	Designation	Shares Purchased	Shares Sold
Mr. Arif Habib	Chairman	-	-
Mr. Fawad Ahmed Mukhtar	CEO	-	-
Mr. Fazal Ahmed Sheikh	Director	-	-
Mr. Faisal Ahmed Mukhtar	Director	-	-
Mr. M. Abad Khan	Director	269,500	-
Mr. Muhammad Kashif Habib	Director	-	-
Mr. Jørgen Nergaard Gøl	Director	5,000	-
Mr. Iftikhar Mahmood Baig	CFO	-	-
Mr. Ausaf Ali Qureshi	Company Secretary	-	-
Spouses and Minor Children	-	-	-

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. Considering its complex role due to challenging economic and regulatory environment, two new members Mr. Muhammad Jawaid Iqbal and Mr. Faisal Ahmed Mukhtar have been added to strengthen the expertise of the committee. The committee composition and its terms of reference have also been attached with this report. During the year Mr Asad Murad was appointed as Head of Internal Audit for both Fatima and its associated concerns reporting functionally to the Audit Committee.

Human Resource and Remuneration Committee

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

Ethics and Business Practices

As per the Corporate Governance guidelines, the Company has issued a “Statement of Ethics and Business Practices” for compliance. This policy was substantially reviewed and adapted to the evolution of the Company as it prepares for full production and debut in the international investor markets. This policy and has also posted on the revamped and enhanced website of the Company.

Auditors

M. Yousuf Adil Saleem & Company Chartered Accountants, Multan, retiring auditors of the Company, offer themselves for re-appointment. The Board Audit Committee and the Board of Directors have recommend their re-appointment by the shareholders at the 8th Annual General Meeting, as auditors of the Company for the year ending 31st December 2011.

Future Outlook

Fatima Fertilizer Company Limited has a bright future and can look forward to a reasonable growth in volume and return for its investors. There is an ever increasing demand of fertilizer in the domestic market especially considering the fact that Fatima Fertilizer will provide a one window solution for the farmers with its 4 different fertilizers

Acknowledgements

The Board of Directors sincerely appreciate the devotion and commitment of every employee of the company. The Directors also wish to place on record their appreciation for the assistance, guidance and cooperation that Fatima Fertilizer Company Limited received from all stakeholder including the Government of Pakistan, financial institutions, commercial banks, business associates, customers and all others whose continued support has been a source of strength to the Company.

For and on behalf of Board

Karachi
February 24, 2011

Fawad Ahmed Mukhtar
Chief Executive Officer

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 (Chapter-XI) of the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Company is listed, 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 Code 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 one independent non-executive director, two executive directors and six non-executive directors. Presently, there is no director representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.

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. Casual vacancies occurred in the Board during the year 2010 were filled up within 30 days of occurrence.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

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 have been taken by the Board.

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

9. The Board arranged one orientation course for its directors during the year 2010 to apprise them of their duties and responsibilities. Further, the Board has arranged for certification offered by the Pakistan Institute of Corporate Governance for Mr. Muhammad Kashif Habib, director of the Company.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.

15. The Board has formed an audit committee. It comprises five members, four of whom are non-executive directors including the chairman of the committee.

Statement of Compliance with the Code of Corporate Governance contd.

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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

19. 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.

20. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

21. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and the Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and the Board of Directors.

22. We confirm that all other material principles contained in the Code have been complied with.

Karachi
February 24, 2011

Arif Habib
Chairman

Financial Statements

Fatima Fertilizer Company Limited

for the year ended December 31, 2010

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 to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related 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, 2010.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner: Talat Javed
February 24, 2011
Multan

Auditors' Report To The Members

We have audited the annexed balance sheet of FATIMA FERTILIZER COMPANY LIMITED (the company) as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) In our opinion:

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

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

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

(c) In our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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, 2010 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and

(d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the company for the year ended December 31, 2009 were audited by another firm of Chartered Accountants whose report dated April 09, 2010 expressed an unqualified opinion thereon.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner: Talat Javed
February 24, 2011
Multan

Balance Sheet

as at December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized			
2,100,000,000 (2009: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
400,000,000 (2009: 400,000,000) preference shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up			
2,000,000,000 (2009: 1,800,000,000) ordinary shares of Rs 10 each	5	20,000,000	18,000,000
400,000,000 (2009: Nil) preference shares of Rs 10 each	6	4,000,000	–
Share premium	7	790,000	–
Accumulated loss		(531,220)	(257,212)
		24,258,780	17,742,788
NON CURRENT LIABILITIES			
Advance against preference shares		–	3,898,250
Long term finance	8	37,446,530	30,846,063
Dividend payable on preference shares	6	603,672	–
Employee retirement benefits	9	73,796	54,493
		38,123,998	34,798,806
CURRENT LIABILITIES			
Current portion of long term finance		–	402,796
Short term finance – secured	10	316,208	–
Trade and other payables	11	3,704,173	1,662,141
Accrued finance cost	12	2,989,396	2,596,001
Provision for taxation		64,483	–
		7,074,260	4,660,938
CONTINGENCIES & COMMITMENTS	13		
		69,457,038	57,202,532

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	875,984	684,940
Capital work in progress	15	64,258,204	54,292,989
Deferred tax asset	16	21,914	–
Long term loans and deposits	17	16,330	8,150
		65,172,432	54,986,079
CURRENT ASSETS			
Stores and spares	18	2,269,080	1,142,798
Stock in trade	19	535,825	–
Trade debts	20	256,548	–
Loans, advances, deposits, prepayments and other receivables	21	939,864	849,238
Cash and bank balances	22	283,289	224,417
		4,284,606	2,216,453
		69,457,038	57,202,532

Director

Profit and Loss Account

for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Administrative expenses	23	(113,866)	(96,205)
Finance cost	24	(8,950)	(7,494)
Other income	25	1,746	6,578
Loss before taxation		(121,070)	(97,121)
Taxation	26	(42,569)	–
Loss for the year		(163,639)	(97,121)
Loss per share – basic (rupees)	28	(0.08)	(0.08)
– diluted (rupees)	28	(0.07)	(0.08)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Statement of Comprehensive Income

for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Loss for the year		(163,639)	(97,121)
Other comprehensive income			
Transferred to CWIP on expiry of derivative financial instruments		–	10,056
Other comprehensive income		–	10,056
Total comprehensive loss for the year		(163,639)	(87,065)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Director

Statement of Changes in Equity

for the year ended December 31, 2010

	Ordinary share capital	Share deposit money for issue of ordinary shares	Preference share capital	Share premium	Hedging reserve	Accumulated loss	Total
				(Rupees in thousand)			
Balance as at December 31, 2008	8,934,788	6,573,898	–	–	(10,056)	(153,286)	15,345,344
Issue of 906,521,167 ordinary shares of Rs 10 each fully paid in cash	9,065,212	(9,065,212)	–	–	–	–	–
Proceeds from share deposit money	–	2,491,314	–	–	–	–	2,491,314
Cost of issuance of shares	–	–	–	–	–	(6,805)	(6,805)
Loss for the year	–	–	–	–	–	(97,121)	(97,121)
Other comprehensive income	–	–	–	–	10,056	–	10,056
Total comprehensive loss for the year	–	–	–	–	10,056	(97,121)	(87,065)
Balance as at December 31, 2009	18,000,000	–	–	–	–	(257,212)	17,742,788
Issue of 200,000,000 ordinary shares of Rs.10 each fully paid in cash	2,000,000	–	–	790,000	–	–	2,790,000
Issue of 400,000,000 preference shares of Rs.10 each fully paid in cash	–	–	4,000,000	–	–	–	4,000,000
Cost of issuance of shares	–	–	–	–	–	(110,369)	(110,369)
Loss for the year	–	–	–	–	–	(163,639)	(163,639)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(163,639)	(163,639)
Balance as at December 31, 2010	20,000,000	–	4,000,000	790,000	–	(531,220)	24,258,780

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash flows from operating activities			
Cash used in operations	32	(323,166)	(1,947,699)
Finance costs paid		(8,950)	(7,494)
Taxes paid		(21,593)	(11,688)
Employee retirement benefits paid		(27,648)	(2,810)
Net cash used in operating activities		(381,357)	(1,969,691)
Cash flows from investing activities			
Fixed capital expenditure		(3,694,954)	(13,176,056)
Finance costs paid		(5,152,581)	(3,530,065)
Proceeds from disposal of property, plant and equipment		684	142
Net increase in long term loans and deposits		(8,180)	(2,751)
Net cash used in investing activities		(8,855,031)	(16,708,730)
Cash flows from financing activities			
Proceeds / advance received against preference shares		101,750	3,898,250
Proceeds from share deposit money		2,790,000	2,491,314
Cost of issue of share capital		(110,369)	–
Proceeds from long term finance		6,197,671	12,498,458
Increase in short term finance – net		316,208	–
Increase in bills payable		–	(464,440)
Net cash from financing activities		9,295,260	18,423,582
Net increase / (decrease) in cash and cash equivalents		58,872	(254,839)
Cash and cash equivalents – at beginning of the year		224,417	479,256
Cash and cash equivalents – at end of the year		283,289	224,417

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Director

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. During the year, the Company has obtained listing status on Karachi, Lahore and Islamabad Stock Exchanges by issue of 200 million ordinary shares to institutional investors and general public. The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. During the year, the Company has relocated its registered office from Multan to Lahore with effect from October 01, 2010.

During the year, Ammonia, Urea, Calcium Ammonium Nitrate (CAN) and Nitric Acid plants have been successfully installed and the Company has commenced trial run production. However, Nitro Phosphate (NP) plant is in the process of installation.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, and 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 (IASB) and
– Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan

as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Application of new and revised accounting standards

The following standards are effective from accounting periods on or after January 1, 2010 and are applicable to the Company from the current financial year with no material effect on the financial statements.

Amendments to IFRS 5 Non current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.
This amendment has had no effect on the amounts reported because the Company has not issued instruments of this nature.

Amendments to IAS 7 Statement of Cash Flows

The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the balance sheet can be classified as investing activities in the statement of cash flows.

IFRIC – 17 Distributions of Non cash Assets to Owners

The amendment states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the profit and loss account. As the Company does not distribute non cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

Revised IFRS 3 – Business Combinations

The revised IFRS broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by- transaction basis. The application of this standard have no effect on the Company's financial statements.

2.3 Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

	effective date
Amendments to IFRS 1 - Limited Exemption from Comparative IFRS 7	
Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets	July 1, 2011
IFRS 9 (as amended in 2010) - Financial Instruments	January 1, 2013
IAS 24 (revised in 2009) - Related Party Disclosures	January 1, 2011
Amendments to IAS 32 - Classification of Rights Issues	February 1, 2010
Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

3 Basis of measurement

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.

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

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

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

a) Employee retirement benefits

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

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

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

c) Provision for taxation

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

4 Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

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

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

4.2 Employee retirement benefits

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

a) Defined benefit plan - Gratuity

The Company operates a funded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.
The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2010. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 13 percent per annum.
- Expected rate of increase in salary level 13 percent per annum.

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

b) Accumulating compensated absences

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

c) Defined contribution plan - Provident Fund

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

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

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, labour and applicable manufacturing overheads. Cost also includes capitalized borrowing costs as referred to in note 4.20.

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

- Furniture and fixtures	10%
- Office equipment	10%
- Electrical installations and appliances	10%
- Computers	25%
- Vehicles	20%

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

4.4 Capital work in progress

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

4.5 Leases

The Company is the lessee.

Operating leases

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

4.6 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:

Held to maturity

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

Available for sale

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

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

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

At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments 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.

4.7 Financial instruments

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

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

4.8 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.

4.9 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.

4.10 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, annual average cost comprising cost of direct materials, labour 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.

4.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised 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 reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised 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.

4.12 Cash and cash equivalents

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

4.13 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.

4.14 Related party transactions

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

4.15 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.

4.16 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.

4.17 Derivative financial instruments

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

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

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

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

4.18 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.
Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.19 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

4.20 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. Issued, subscribed and paid up ordinary share capital

2010	2009		2010	2009
(Number of shares)			(Rupees in thousand)	
2,000,000,000	1,800,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	18,000,000

The reconciliation of ordinary shares is as follows:

	2010	2009
	(Number of shares)	
Opening balance	1,800,000,000	893,478,833
Add: Shares issued during the year	200,000,000	906,521,167
Closing balance	2,000,000,000	1,800,000,000

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

	(Number of shares)	
Pakarab Fertilizers Limited	819,604,695	900,000,000
Reliance Weaving Mills Limited	10,327,901	17,968,135
Reliance Commodities (Pvt) Limited	153,501,990	150,731,084
Fazal Cloth Mills Limited	32,047,591	34,387,480
Fatima Sugar Mills Limited	139,570,865	139,570,865
Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	191,275,719	180,000,000
	1,346,328,761	1,422,657,564

6. Preference share capital

2010	2009		2010	2009
(Number of shares)			(Rupees in thousand)	
400,000,000	–	Preference shares of Rs 10 each fully paid in cash	4,000,000	–

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

	(Number of shares)	
Pakarab Fertilizers Limited	360,000,000	–
Reliance Commodities (Pvt) Limited	35,000,000	–
Fatima Sugar Mills Limited	5,000,000	–
	400,000,000	–

During the year, the Company has issued non voting, non participatory, cumulative, redeemable/convertible preference shares at par value of Rs 10 per share.

The Company may, at its option, redeem the preference shares at par value at any time by giving at least 60 days prior written notice to the preference shares holders. The redemption shall only be made out of a Sinking Fund reserve account, to be created out of profits of the Company.

Preference shares holders will have the option to convert the preference shares into ordinary shares of the Company by serving the Conversion Notice after the end of 2 years from the Issue Date of preference shares at 20% discount on fair value of the ordinary share at the time of conversion.

These are subject to payment of annualized cumulative dividends at 6 months KIBOR plus 3% per annum.

In case the profits in any year are insufficient to pay dividends on the preference shares, the payment of dividends will be deferred and will be payable in the next year.

7 Share premium

This relates to issue of 150 million shares through book building process at a premium of Rs 4.10 per share and 50 million shares through general public subscription at a premium of Rs 3.50 per share.

	Note	2010	2009
		(Rupees in thousand)	
8. Long term finance			
These are composed of:			
Secured loans from Banking companies / Financial institutions:			
Long Term Syndicated Loan (Senior facility)	8.2	22,996,901	22,971,488
Commercial Facility (CF)	8.3	4,496,000	4,327,000
New Facility I (NF I)	8.4	3,519,064	1,754,051
New Facility II (NF II)	8.5	1,919,000	–
		32,930,965	29,052,539
Unsecured loans from Pakarab Fertilizers Limited - the associate:			
Bridge Finance (STFA)	8.6	2,037,500	2,037,500
Term loan	8.7	2,478,065	158,820
		4,515,565	2,196,320
		37,446,530	31,248,859
Less: Current portion		–	402,796
		37,446,530	30,846,063

8.1 As per the amendments in Senior Facility (SF), Commercial Facility (CF) and New Facility (NF) agreements, dated November 26, 2010, with the consortium of commercial banks / financial institutions total outstanding principal would be repayable in 14 semi-annual installments starting from May 27, 2012 (previously due on November 27, 2010).

8.2 Long Term Syndicated Loan (Senior Facility)

The syndicated loan (Senior Facility) has been obtained from a consortium of commercial banks / financial institutions led by National Bank of Pakistan against a facility of Rs 23,000 million to finance the project cost.

It carries mark-up at the rate of 6 months Karachi Interbank Offered Rate (KIBOR) plus 3.35% per annum [Pre Commercial Operation Date (COD)] and 6 months KIBOR plus 3.00% per annum (Post COD). The effective rate of markup charged during the year ranged from 15.59% to 16.71% per annum (2009: 15.76% to 19% per annum).

In the event, the Company fails to pay the balances on due dates, mark up is to be computed at the rate of Re 0.510 per Rs 1,000 per diem or part thereof on the balances unpaid.

8.3 Commercial Facility (CF)

The Commercial Facility (CF) has been obtained from a consortium of commercial banks / financial institutions led by National bank of Pakistan, against a facility of Rs 4,500 million to finance the project cost.

It carries markup at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. During the year, effective rate of markup charge ranged from 15.99% to 17.11% per annum (2009: 16.22% to 16.41% per annum).

In the event, the Company fails to pay the balances on due date, mark up is to be computed at the rate of Re 0.532 per Rs 1,000 per diem or part thereof on the balances unpaid.

8.4 New Facility I (NF I)

The New Facility (NF I) has been obtained from nine commercial banks / financial institutions individually, aggregating to Rs 3,581 million.

It carries markup at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. During the year the effective rate of markup charge ranged from 15.99% to 17.11% per annum (2009: 16.16% per annum).

8.5 New Facility II (NF II)

The New Facility (NF II) has been obtained during the year from four commercial banks / financial institutions individually, aggregating to Rs 1,919 million.

It carries markup at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. During the year the effective rate of markup charge ranged from 15.99% to 17.11% per annum. (2009: Nil)

The facilities referred to in notes 8.2, 8.3, 8.4 and 8.5 are 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 facilities referred to in notes 8.3, 8.4 and 8.5 are also secured by first ranking pari passu hypothecation of all present and future current assets of the Company amounting to Rs 13,333 million and pledge of 51% shares of Pakarab Fertilizers Limited (PFL).

8.6 Bridge Finance (STFA)

This represents an unsecured loan facility amounting to Rs 2,100 million obtained from PFL, an associate, for the purposes of project financing. The repayment of this loan is not to exceed the repayment amount of loan facilities referred in note 8.2, 8.3, 8.4 and 8.5 by more than 6.45% of such facilities repayments.

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

Markup charged during the year on outstanding balance ranged from 14.93% to 15.37% per annum (2009 : 15.06% per annum).

8.7 Term loan

This represents unsecured loan facility amounting to Rs 2,478 million obtained from Pakarab Fertilizers Limited, the associate, for the purposes of project financing. The facility carries markup at the rate of average borrowing cost of the associate. Markup charged during the year was 14.39% per annum (2009 : 14.53% to 14.82% per annum).

The loan is repayable when the outstanding amounts under Senior Facility, Commercial Facility and New Facilities does not exceed Rs 23,000 million.

8.8 The aggregate unavailed long term financing facilities amount to Rs 69.035 million (2009: Rs 3,947.46 million).

	Note	2010	2009
		(Rupees in thousand)	
9. Employee retirement benefits			
Gratuity	9.1	42,467	30,985
Accumulating compensated absences	9.2	31,329	23,508
		73,796	54,493

9.1 Gratuity

		2010	2009
a)	**Amount recognized in the balance sheet**		
	Present value of defined benefit obligation	41,441	28,801
	Unrecognized actuarial gains/(losses)	1,026	2,184
	Net liability at the end of the year	42,467	30,985
b)	**Movement in liability**		
	Net liability at the beginning of the year	30,985	18,081
	Charge for the year	18,087	14,079
	Benefit paid during the year	(6,605)	(1,175)
	Net liability at the end of the year	42,467	30,985
c)	**Charge for the year**		
	Current service cost	14,631	11,464
	Interest cost	3,456	2,615
		18,087	14,079
d)	**Movement in the present value of defined benefit obligation**		
	Defined benefit obligation at beginning of the year	28,801	17,431
	Current service cost	14,631	11,464
	Interest cost	3,456	2,615
	Benefit paid during the year	(6,605)	(1,175)
	Actuarial loss / (gain) recognized	1,158	(1,534)
	Defined benefit obligation at end of the year	41,441	28,801
e)	**The principal assumptions used in the actuarial valuation are as follows: –**		
	Discount rate	13%	12 %
	Expected rate of increase per annum in future salaries	13%	12 %
	Expected average remaining life	6 years	6 years

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

	2010	2009	2008	2007	2006
			(Rupees in thousand)		
Present value of defined benefit obligation	41,441	28,801	17,432	7,951	6,533
Experience adjustment on obligation	–3%	5%	0%	11%	1%

	Note	2010	2009
		(Rupees in thousand)	
9.2 Accumulating compensated absences			
Opening balance		23,508	13,794
Add: Provision for the year		13,284	11,350
		36,792	25,144
Less: Payments made during the year		5,463	1,636
Net liability at the end of the year		31,329	23,508

10 Short term finance - secured

	Note	2010	2009
Cash Finance	10.1	113,461	–
Running Finance	10.2	202,747	–
		316,208	–

10.1 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 14.09% to 15.39% (2009: Nil).

10.2 These facilities have been obtained from various banks for working capital requirements, and are secured by pari passu charge of Rs 2,736 million on present and future current assets.

The facilities carry markup ranging from 14.31% to 15.07% (2009: Nil).

10.3 The aggregate unavailed short term borrowing facilities amount to Rs 2,184 million (2009: Nil).

11 Trade and other payables

	Note	2010	2009
		(Rupees in thousand)	
Creditors		1,443,009	1,326,334
Advances from customers		1,527,584	–
Accrued liabilities		58,471	28,704
Withholding tax payable		286,805	243,340
Payable to provident fund	11.1	4,073	46,168
Retention money payable		380,418	16,171
Others		3,813	1,424
		3,704,173	1,662,141

11.1 Markup on unpaid amount of provident fund is charged at the rate of 10% per annum.

12 Accrued finance cost

	Note	2010	2009
Markup accrued – secured		2,749,705	2,480,291
Markup payable on unsecured loans from related party	8.6 & 8.7	239,691	115,710
		2,989,396	2,596,001

13 Contingencies and commitments

13.1 Contingencies

Post dated cheques not provided for in the financial statements, furnished by the Company to the Collector of Customs to cover excess import levies on plant and machinery amounting to Rs 23.516 million (2009: Rs 12.604 million).

The company has issued guarantee amounting to Rs 200 million in favour of Government of the Punjab for contribution towards Fatima Fertilizer Welfare Trust.

13.2 Commitments in respect of

Contracts for capital expenditure Rs 774.559 million (2009: Rs 3,000.458 million).

Contracts for other than capital expenditure Rs 728.802 million (2009: Rs 26.936 million).

Future payments under non-cancellable operating leases payable not later than one year amount to Rs 9.286 million (2009 : Rs 0.731 million).

14. Property, plant and equipment

2010

	Cost as at December 31, 2009	Additions/ (deletions) during the year	Transfers Net	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Depreciation charge / (deletions) during the year	Transfers Net	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
					(Rupees in thousand)				
Freehold land	361,044	58,477	–	419,521	–	–	–	–	419,521
Furniture and fixtures	24,062	2,503	–	26,565	3,671	2,575	–	6,246	20,319
Office equipment	9,886	2,442	(4,888)	7,410	2,115	710	(997)	1,825	5,585
		(30)				(3)			
Electrical installations and appliances	264,896	168,102	1,215	434,213	28,511	37,929	339	66,779	367,434
Computers	37,217	3,547	1,235	41,933	15,635	9,713	292	25,625	16,308
		(66)				(15)			
Vehicles	62,325	21,191	2,438	83,755	24,558	13,801	366	36,938	46,817
		(2,199)				(1,787)			
	759,430	256,262	–	1,013,397	74,490	64,728	–	137,413	875,984
		(2,295)				(1,805)			

2009

	Cost as at December 31, 2008	Additions/ (deletions) during the year	Transfers Net	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Depreciation charge / (deletions) during the year	Transfers Net	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
					(Rupees in thousand)				
Freehold land	341,172	19,872	–	361,044	–	–	–	–	361,044
Furniture and fixtures	13,901	10,161	–	24,062	1,701	1,970	–	3,671	20,391
Office equipment	9,158	753	–	9,886	1,174	944	–	2,115	7,771
		(25)				(3)			
Electrical installations and appliances	186,031	78,865	–	264,896	5,682	22,829	–	28,511	236,385
Computers	27,171	10,046	–	37,217	7,802	7,833	–	15,635	21,582
Vehicles	55,464	7,462	–	62,325	13,412	11,627	–	24,558	37,767
		(601)				(481)			
	632,897	127,159	–	759,430	29,771	45,203	–	74,490	684,940
		(626)				(484)			

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

	Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Unallocated expenditures	15.1	45,210	28,744
Administrative expenses	23	19,518	16,458
		64,728	45,202

14.2 Disposal

2010

	Sold to	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode
Eployees							
Vehicles	Mr. Usman Iqbal Hashmi	885	885	–	177	177	Company policy
	Mr. Muhammad Amjad	389	389	–	83	83	Company policy
	Mr. Waheed Ahmed	925	513	412	412	–	Company policy
Office Equipment	Col. Masood Amin	12	–	12	12	–	Negotiation
Others							
Computers / Office Equipment	Damaged items	84	18	66	0	(66)	Damaged
		2,295	1,805	490	684	194	

2009

	Sold to	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode
Eployees							
Vehicles	Mr. Muhammad Shahzad	601	481	120	120	–	Company policy
Others							
Other Equipment	M/S EFU General Insurance Ltd.	25	3	22	22	–	Insurance claim
		626	484	142	142		

15. Capital work in progress

	Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
– Civil works		5,017,228	2,069,443
– Plant and machinery and catalysts		44,244,582	41,308,348
– Unallocated expenditure	15.1	17,450,438	10,228,925
– Trial run gain	15.2	(2,761,527)	–
– Advances	15.3	307,483	686,273
		64,258,204	54,292,989

Notes to and forming part of the Financial Statements

for the year ended December 31, 2010

		Note	2010	2009
			(Rupees in thousand)	
15.1	**Unallocated expenditure**			
	Salaries, wages and other benefits	15.1.1	1,316,932	1,092,166
	Utilities		1,126,214	648,670
	Travelling and conveyance		151,910	137,588
	Legal and professional charges		54,672	47,126
	Commitment charges – long term finance		90,038	96,401
	Loan arrangement, agency and monitoring fee		495,014	458,256
	Technical consultancy		65,288	51,760
	Project management services		102,069	102,069
	Project insurance		460,326	271,707
	Depreciation on property, plant and equipment	14.1	91,190	45,980
	Markup on :			
	– long term finance		12,471,136	6,430,875
	– short term finance		109,387	–
	– contribution by Sponsors and associated undertakings		367,860	367,860
	– temporary loans from related parties		1,694	1,694
		15.2.1	12,950,077	6,800,429
	General		546,708	476,773
			17,450,438	10,228,925

15.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of retirement benefits:

	2010	2009
Gratuity		
– current service cost	3,684	10,559
– interest cost for the year	871	2,409
	4,555	12,968
Provident fund	3,923	10,454
Accumulating compensated absences	2,963	11,143
	11,441	34,565

15.1.2 Unallocated expenditure will be allocated to civil works and plant and machinery upon commencement of commercial operations.

	Note	2010	2009
		(Rupees in thousand)	
15.2 Trial run gain			
Trial run sales		7,174,756	–
Less: Sale incentive		74,597	–
Discount		17,785	–
		92,382	–
		7,082,374	–
Trial run costs			
Raw material consumed		300,534	–
Feed Gas		839,359	–
Fuel and power		2,070,960	–
Salaries, wages and other benefits	15.2.2	632,196	–
Stores and Spares		292,537	–
Catalyst and Chemicals		91,165	–
Repairs and maintenance		14,361	–
Travelling and conveyance		58,668	–
Printing and stationary		7,244	–
Transportation		363,564	–
Toll manufacturing charges		111,335	
Others		72,641	–
		4,854,564	–
Less: closing stock		(533,717)	–
		4,320,847	–
		2,761,527	–

15.2.1 During the year, the Company has commenced trial run production of Ammonia, CAN, Urea and Nitric Acid. Commencement of commercial operations is subject to satisfactory Performance Test of the facilities as a whole by the Project's main contractor CNCEC (China National Chemical Engineering Group Corporation). Performance test would be carried out after installation and normal operation of NP plant.

Further, borrowing costs incurred on the project would be capitalized till the commissioning of the facilities as a whole i.e. date of satisfactory performance test of the facilities.

	2010	2009
	(Rupees in thousand)	
15.2.2 Salaries, wages and other benefits		
Salaries, wages and other benefits include following in respect of retirement benefits:		
Gratuity		
– current service cost	10,361	–
– interest cost for the year	2,447	–
	12,808	–
Provident fund	11,033	–
Accumulating compensated absences	9,990	–
	33,831	–

		2010	2009
		(Rupees in thousand)	
15.3	**Advances**		
	– Freehold land	17,800	63,512
	– Civil works	130,181	64,010
	– Plant and machinery	49,780	551,571
	– ERP Software	9,722	7,180
	– Others	100,000	–
		307,483	686,273

16 Deferred tax asset

	2010	2009
This is composed of the following:		
Taxable temporary difference:		
Capitalized items in CWIP	(52,009)	–
Deductible temporary difference:		
Tax depreciation allowance	31,917	–
Provision for retirement benefits	25,829	–
Carry forward tax depreciation losses	16,177	–
	73,923	–
	21,914	–

16.1 In opinion of the management, taxable profit for the foreseeable future will be available against which deferred tax asset can be utilized.

17. Long term loans and deposits

	Note	2010	2009
		(Rupees in thousand)	
Loan to employees – unsecured	17.1	30,837	4,449
Loan to others – unsecured		16,843	–
Security deposits		5,368	5,380
		53,048	9,829
Less: receivable within one year		(36,718)	(1,679)
		16,330	8,150

17.1 This represents unsecured loans to permanent employees as per their terms of employment for purchase of motor vehicles.

18 Stores and spares

	Note	2010	2009
		(Rupees in thousand)	
Stores		220,839	272,146
Spares		281,836	457,661
Catalyst and chemicals	18.2	1,766,405	412,991
		2,269,080	1,142,798

18.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

18.2 This represents catalyst to be used in Ammonia and Nitric acid plants.

	2010	2009
	(Rupees in thousand)	
19 Stock in trade		
Packing Material	2,108	–
Mid products		
Ammonia	18,793	–
Nitric Acid	26,461	–
	45,254	–
Finished goods		
Urea (including in transit Rs 51,210 thousand)	184,643	–
Calcium ammonium nitrate (CAN) (including in transit Rs 2,807 thousand)	303,820	–
	488,463	–
	535,825	–

19.1 This includes CAN and Nitric Acid amounting to Rs 224.270 million (2009: Nil) and Rs 1.529 million (2009: Nil) respectively held with Pakarab Fertilizers Limited for toll manufacturing.

	Note	2010	2009
		(Rupees in thousand)	
20 Trade debts			
Considered good:			
– Secured (by way of bank guarantees and security deposits)	20.1	52,169	–
– Unsecured	20.2	204,379	–
		256,548	–

20.1 These are in the normal course of business and certain debts carry interest ranging from 1.74% to 8.6 % (2009: Nil) per annum.

20.2 This relate to sale of fertilizer to Pakarab Fertilizers Limited – related party

	Note	2010	2009
		(Rupees in thousand)	
21. Loans, advances, deposits, prepayments and other receivables			
Current portion of long term loans – unsecured		36,718	1,679
Advances – considered good			
– to employees		13,655	3,414
– to suppliers		508,289	625,762
		521,944	629,176
Prepayments		22,889	31,191
Agency fee recoverable		2,000	2,000
Margin deposits held by bank against letters of credit		153,901	3,848
Recoverable from Government			
– Sales tax		96,643	107,555
– Income tax recoverable		76,749	55,156
		173,392	162,711
Other receivables			
Considered good	21.1	29,020	18,633
Considered doubtful		–	5,143
		29,020	23,776
Provision against doubtful advances		–	(5,143)
		939,864	849,238

21.1 This include interest free receivable amounting to Rs 8.296 million (2009: Nil) from related party under normal course of business of the Company.

	Note	2010	2009
		(Rupees in thousand)	
22 Cash and bank balances			
Cash at banks			
– Saving accounts	22.1	2,785	1,901
– Current accounts		279,334	221,568
Cash in hand		1,170	948
		283,289	224,417

22.1 The balances in saving accounts bear markup at 10% (2009: 5%) per annum.

	Note	2010	2009
		(Rupees in thousand)	

23 Administrative expenses

	Note	2010	2009
Salaries, wages and other benefits	23.1	35,749	52,466
Travelling and conveyance		7,278	6,260
Vehicles' running and maintenance		1,227	1,296
Insurance expenses		890	39
Communication and postage		6,662	2,865
Printing and stationery		5,146	2,112
Rent, rates and taxes	23.2	12,636	345
Fees and subscription		3,100	766
Auditors' remuneration	23.3	2,271	1,878
Entertainment expenses		373	449
Legal and Professional charges		6,636	–
Utilities		332	260
Depreciation on property, plant and equipment	14.1	19,518	16,458
Advances written off		–	1,384
Assets written off	14.2	66	–
Charity and donation	23.4	2,073	102
Provision against doubtful advances		–	5,143
Others		9,909	4,382
		113,866	96,205

23.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of retirement benefits:

	2010	2009
Gratuity		
– current service cost	586	905
– interest cost for the year	138	206
	724	1,111
Provident fund	624	760
Accumulating compensated absences	331	1,177
	1,679	3,048

23.2 Rent, rates and taxes include operating lease rentals.

23.3 Auditors' remuneration

	2010	2009
Annual audit	1,200	700
Half yearly review / audit	300	500
Other certification	210	–
Out of pocket expenses	561	678
	2,271	1,878

23.4 None of the directors or their spouses had any interest in the donee during the year.

		Note	2010	2009
			(Rupees in thousand)	
24	**Finance cost**			
	Interest on provident fund		5,146	4,176
	Bank charges and others		3,804	3,318
			8,950	7,494
25	**Other income**			
	Insurance claim received		1,486	–
	Gain on derivative financial instruments		–	3,882
	Exchange gain		–	2,696
	Gain on disposal of assets	14.2	260	–
			1,746	6,578
26	**Taxation**			
	Current		64,483	–
	Deferred		(21,914)	–
			42,569	–

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as tax liability of the company for the year is determined under section 113 of the Income Tax Ordinance, 2001.

27 Transactions with related parties

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 respective notes to these financial statements and remuneration of Directors and Key Management Personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

Relationship with the Company	**Nature of Transactions**	2010	2009
		(Rupees in thousand)	
Associated undertakings			
	Issue of preference share capital	4,000,000	–
	Advance against preference shares	–	3,898,250
	Long term finance obtained	2,319,245	2,196,320
	Toll manufacturing	111,335	–
	Rent, rates and taxes	7,952	–
	Purchase of fertilizer	4,693	–
	Miscellaneous expenses	3,538	–
	Sale of fertilizer	323,620	–
	Finance cost accrued	512,042	115,710
	Dividend on preference shares	603,672	–
	Sale of stores and spares	8,296	–
Retirement benefit plans			
	Retirement benefit expense	46,951	37,613

	2010	2009
	(Rupees in thousand)	

28 Loss per share

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

	2010	2009
Loss		
Loss for the year	(163,639)	(97,121)
Interest on convertible preference shares (net of tax)	–	–
Loss for the purpose of diluted loss per share	(163,639)	(97,121)

	(No of shares)	
Weighted average number of shares		
Ordinary shares for the purposes of basic loss per share	1,968,767,123	1,144,324,416
Dilutive effect of potential ordinary shares on conversion of preference shares	483,461,087	–
Ordinary shares for the purposes of diluted loss per share	2,452,228,210	1,144,324,416

Basic and diluted loss per share have been computed by dividing loss as stated above with weighted average number of ordinary shares.

	(Rupees)	
Basic loss per share	(0.08)	(0.08)
Diluted loss per share	(0.07)	(0.08)

29. Capacity and production

	(Metric ton)	
Urea		
Rated production capacity	394,126	–
Actual trial run production	322,756	–
CAN		
Rated production capacity	296,877	–
Actual trial run production	175,619	–

30 Financial Risk Management

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

	2010	2009
	(Rupees in thousand)	
Cash at banks – USD	4	–
Trade and other payables – USD	(6,382)	(7,440)
Net exposure – USD	(6,378)	(7,440)
Cash at banks – Euro	1	–
Trade and other payables – Euro	(1,171)	(688)
Net exposure – Euro	(1,170)	(688)
Trade and other payables – GBP	(225)	–
Net exposure – GBP	(225)	–
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	85.21	81.46
Reporting date rate	85.90	84.30
Rupees per Euro		
Average rate	113.52	113.42
Reporting date rate	114.19	121.10
Rupees per GBP		
Average rate	132.93	127.11
Reporting date rate	132.65	135.40

If the functional currency, at reporting date, had fluctuated by 5% against the USD, Euro and GBP with all other variables held constant, the impact on loss after taxation for the year would have been Rs 35.563 million (2009: Rs 35.526 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:

	2010	2009
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at bank – saving accounts	2,785	1,901
Floating rate instruments		
Financial assets		
Trade debt - secured	52,169	–
Financial liabilities		
Advance against preference shares	–	3,898,250
Preference shares	4,000,000	–
Long term finance	37,446,530	31,248,859
Short term finance - secured	316,208	–

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

Since, the Company has not yet commenced commercial operations, the markup on long term loans is currently capitalized in capital work in progress, hence, any fluctuation in interest rates with all other variables held constant, would have no effect on the profit and loss account of the Company.

(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:

	2010	2009
	(Rupees in thousand)	
Long term loans and deposits	36,205	9,829
Trade debts	204,379	–
Loans, advances, deposits and other receivables	29,020	18,633
Bank balances	282,119	223,469
	551,723	251,931
Aging analysis of trade debts		
Less than one year	204,379	–

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			2010	2009
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AA	PACRA	213,389	11,559
Summit Bank Limited	A–2	A	JCR–VIS	38,952	8,106
Askari Commercial Bank	A1+	AA	PACRA	1,095	1,738
Bank Alfalah Limited	A1+	AA	PACRA	11	150
Bank Islami Pakistan Limited	A1	A	PACRA	10	10
Faysal Bank Limited	A1+	AA	PACRA	1,476	1,901
Habib Bank Limited	A1+	AA+	JCR–VIS	4,341	568
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	330	1,805
MCB Bank Limited	A1+	AA+	PACRA	1,795	174
Meezan Bank Limited	A1	AA–	JCR–VIS	647	5
National Bank of Pakistan	A1+	AAA	JCR–VIS	9,164	196,398
Silk Bank Limited	A2	A–	JCR–VIS	46	49
Soneri Bank Limited	A1+	AA–	PACRA	20	3
United Bank Limited	A1+	AA+	JCR–VIS	9,078	1,003
The Bank of Punjab	A1+	AA–	PACRA	1,765	–
				282,119	223,469

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, 2010, the Company has Rs 2,184 million (2009: Rs 1,828 million) unutilized borrowing limits from financial institutions and Rs 283.289 million (2009: Rs 224.417 million) cash and bank balances. In spite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk is low as the Company has not yet commenced commercial operations.

The following are the contractual maturities of financial liabilities as at December 31, 2010:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Preference shares	4,000,000	–	4,000,000	–
Long term finances	37,446,530	–	15,417,665	22,028,865
Dividend payable on preference shares	603,672	–	603,672	–
Short term finance – secured	316,208	316,208	–	–
Trade and other payables	3,704,173	3,704,173	–	–
Accrued finance cost	2,989,396	2,989,396	–	–
	49,059,979	7,009,777	20,021,337	22,028,865

The following are the contractual maturities of financial liabilities as at December 31, 2009:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Advance against preference shares	3,898,250	–	3,898,250	–
Long term finances	31,248,859	402,796	10,472,687	20,373,376
Trade and other payables	1,662,141	1,662,141	–	–
Accrued finance cost	2,596,001	2,596,001	–	–
	39,405,251	4,660,938	14,370,937	20,373,376

30.2 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.

	2010	2009
	(Rupees in thousand)	
30.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term loans and deposits	16,330	8,150
Loans, advances, deposits and other receivables	531,013	849,238
Trade debts	256,548	–
Cash and bank balances	283,289	224,417
	1,087,180	1,081,805
Financial liabilities as per balance sheet		
Advance against preference shares	–	3,898,250
Preference shares	4,000,000	–
Long term loans	37,446,530	31,248,859
Dividend payable on preference shares	603,672	–
Short term finance – secured	316,208	–
Trade and other payables	3,704,173	1,662,141
Accrued finance cost	2,989,396	2,596,001
	49,059,979	39,405,251

30.4 Capital risk management

The Company is in set up phase, therefore, its objectives when managing capital are to safeguard Company's ability to continue as a going concern and to finance the project maintaining 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.

31. Remuneration of directors and key management personnel

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

	Directors		Executives	
	2010	2009	2010	2009
	(Rupees in thousand)			
Short term employee benefits				
Managerial Remuneration	2,040	3,027	102,320	100,440
Housing	929	1,362	46,044	45,198
Utilities	213	303	10,232	10,044
Project Allowance	395	605	20,464	20,088
Site allowance	–	–	15,348	14,034
LFA	–	504	16,049	16,889
Housing subsidy allowance	–	–	84	138
Others	–	–	14,516	8,945
	3,577	5,801	225,057	215,776
Retirement benefits				
Contribution to provident fund and gratuity	21	402	25,555	13,812
Accumulating compensated absences	–	180	5,592	4,687
	3,598	6,383	256,204	234,275
Number of persons	1	1	90	90

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

	2010	2009
	(Rupees in thousand)	

32. Cash used in operations

	2010	2009
Loss before tax	(121,070)	(97,121)
Adjustments for :		
Retirement benefits accrued	1,679	3,740
Depreciation on property, plant and equipment	19,518	16,458
Finance costs	8,950	7,494
Provision for doubtful advances	–	5,143
Assets written off	66	–
Advances written off	–	1,384
Gain on disposal of property, plant and equipment	(260)	–
	29,953	34,219
Operating cash flows before working capital changes	(91,117)	(62,902)
Effect on cash flow due to working capital changes		
Increase in loans, advances, deposits, prepayments and other receivables	(69,033)	(433,325)
Increase in stock in trade	(535,825)	–
Increase in stores and spares	(1,126,282)	(1,140,393)
Increase in trade debts	(256,548)	–
Increase/(decrease) in creditors, accrued and other liabilities	1,755,639	(311,079)
	(232,049)	(1,884,797)
	(323,166)	(1,947,699)

33. Reclassification

33.1 Following reclassification has been made in the financial statements to give better presentation:

Previous classification	Current classification	Rupees in thousands
Trade and other payables	Accrued finance cost	2,596,001
Others - Trade and other payables	Retention money payable - Trade and other payables	16,171
Catalysts	Plant and machinery and catalysts - capital work in progress	606,717
Administrative expenses	**Administrative expenses**	
Others	Auditors remuneration	678
Others	Charity and donation	102
Repairs and maintenance	Others	448

34. Date of authorization for issue

These financial statements have been authorized for issue on February 24, 2011 by the Board of Directors of the Company.

35. General

Figures have been rounded off to nearest rupees in thousand.

Chief Executive **Director**

Pattern of Shareholding

as at December 31, 2010

	Having Shares			
No. Of Shareholders	From	To	Shares Held	Percentage
3285	1	100	123457	0.0062
7197	101	500	2584207	0.1292
2131	501	1000	1788146	0.0894
2710	1001	5000	6749439	0.3375
868	5001	10000	6681076	0.3341
318	10001	15000	4006712	0.2003
141	15001	20000	2562869	0.1281
114	20001	25000	2639246	0.1320
95	25001	30000	2691346	0.1346
49	30001	35000	1597568	0.0799
38	35001	40000	1455200	0.0728
20	40001	45000	841854	0.0421
57	45001	50000	2819276	0.1410
20	50001	55000	1044566	0.0522
22	55001	60000	1270375	0.0635
15	60001	65000	947284	0.0474
17	65001	70000	1153741	0.0577
33	70001	75000	2393277	0.1197
11	75001	80000	871770	0.0436
12	80001	85000	995457	0.0498
11	85001	90000	969867	0.0485
13	90001	95000	1207676	0.0604
48	95001	100000	4779710	0.2390
7	100001	105000	719842	0.0360
9	105001	110000	970989	0.0485
8	110001	115000	910917	0.0455
6	115001	120000	715768	0.0358
5	120001	125000	619109	0.0310
5	125001	130000	638604	0.0319
1	130001	135000	135000	0.0068
3	135001	140000	414270	0.0207
4	140001	145000	570545	0.0285
6	145001	150000	895132	0.0448
4	150001	155000	610187	0.0305
1	160001	165000	162000	0.0081
2	165001	170000	337834	0.0169
2	170001	175000	346783	0.0173
1	175001	180000	176079	0.0088
2	185001	190000	378550	0.0189
13	195001	200000	2579705	0.1290
3	200001	205000	608250	0.0304
1	215001	220000	218000	0.0109
1	220001	225000	220090	0.0110
1	225001	230000	227982	0.0114
2	235001	240000	475752	0.0238
1	240001	245000	240500	0.0120
3	245001	250000	750000	0.0375
2	250001	255000	507250	0.0254
3	255001	260000	772059	0.0386
1	260001	265000	262500	0.0131

Pattern of Shareholding

as at December 31, 2010

No. Of Shareholders	Having Shares From	To	Shares Held	Percentage
1	270001	275000	273375	0.0137
8	295001	300000	2400000	0.1200
1	305001	310000	306956	0.0153
1	315001	320000	318937	0.0159
1	320001	325000	325000	0.0162
1	330001	335000	333278	0.0167
1	335001	340000	335578	0.0168
3	355001	360000	1072120	0.0536
1	365001	370000	368494	0.0184
2	395001	400000	800000	0.0400
2	410001	415000	825545	0.0413
2	415001	420000	834668	0.0417
1	430001	435000	434000	0.0217
7	445001	450000	3130898	0.1565
2	450001	455000	910000	0.0455
1	460001	465000	464311	0.0232
1	480001	485000	481099	0.0241
3	495001	500000	1500000	0.0750
1	545001	550000	550000	0.0275
1	565001	570000	569731	0.0285
1	585001	590000	587500	0.0294
2	595001	600000	1200000	0.0600
1	615001	620000	619047	0.0310
1	635001	640000	637454	0.0319
1	685001	690000	689655	0.0345
1	690001	695000	690455	0.0345
1	695001	700000	700000	0.0350
2	705001	710000	1415042	0.0708
1	725001	730000	727238	0.0364
1	740001	745000	741667	0.0371
1	750001	755000	753687	0.0377
1	760001	765000	765000	0.0382
1	805001	810000	809779	0.0405
1	830001	835000	831667	0.0416
1	835001	840000	840000	0.0420
1	1035001	1040000	1037500	0.0519
1	1040001	1045000	1042000	0.0521
2	1095001	1100000	2195270	0.1098
1	1195001	1200000	1199000	0.0600
1	1305001	1310000	1308775	0.0654
1	1345001	1350000	1349050	0.0675
1	1350001	1355000	1354403	0.0677
1	1520001	1525000	1522817	0.0761
1	1650001	1655000	1654019	0.0827
1	1665001	1670000	1669808	0.0835
1	1860001	1865000	1861270	0.0931
1	1945001	1950000	1946807	0.0973
1	1995001	2000000	2000000	0.1000
1	2255001	2260000	2256000	0.1128
1	2420001	2425000	2420434	0.1210

Pattern of Shareholding

as at December 31, 2010

No. Of Shareholders	Having Shares From	To	Shares Held	Percentage
1	2980001	2985000	2981177	0.1491
1	3025001	3030000	3026667	0.1513
1	3195001	3200000	3200000	0.1600
1	3260001	3265000	3261043	0.1631
1	3515001	3520000	3520000	0.1760
1	3530001	3535000	3533162	0.1767
1	3630001	3635000	3630806	0.1815
1	3770001	3775000	3772050	0.1886
2	3815001	3820000	7631824	0.3816
2	3915001	3920000	7834617	0.3917
1	3920001	3925000	3924459	0.1962
1	4245001	4250000	4245916	0.2123
1	4665001	4670000	4665037	0.2333
1	4770001	4775000	4770054	0.2385
1	4995001	5000000	5000000	0.2500
1	5095001	5100000	5095556	0.2548
1	5115001	5120000	5116285	0.2558
3	5155001	5160000	15471618	0.7736
2	5355001	5360000	10718543	0.5359
4	5370001	5375000	21495628	1.0748
1	6550001	6555000	6552398	0.3276
1	6695001	6700000	6697095	0.3349
1	6880001	6885000	6883597	0.3442
2	7735001	7740000	15471618	0.7736
1	8465001	8470000	8469582	0.4235
1	9935001	9940000	9939348	0.4970
1	12895001	12900000	12895305	0.6448
1	13025001	13030000	13026029	0.6513
1	14005001	14010000	14007457	0.7004
1	15040001	15045000	15044042	0.7522
1	15630001	15635000	15632286	0.7816
1	16105001	16110000	16110000	0.8055
1	18810001	18815000	18810036	0.9405
1	22125001	22130000	22129812	1.1065
1	23845001	23850000	23847339	1.1924
1	38095001	38100000	38100000	1.9050
1	39510001	39515000	39512487	1.9756
1	41160001	41165000	41163375	2.0582
1	46605001	46610000	46605769	2.3303
1	52500001	52505000	52500162	2.6250
1	56230001	56235000	56234469	2.8117
1	67490001	67495000	67494837	3.3747
1	126540001	126545000	126544836	6.3272
1	128130001	128135000	128131834	6.4066
1	134995001	135000000	135000000	6.7500
1	819600001	819605000	819604695	40.9802
17451		**Company Total**	**2000000000**	**100.0000**

Pattern of Shareholding

as at December 31, 2010

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	414,814,333	20.74
Associated Companies, undertakings and related parties	1,346,328,761	67.32
NIT and ICP	6,916,711	0.35
Banks, Development Financial Institutions, Non Banking Financial Institutions	41,486,196	2.07
Insurance Companies	1,359,457	0.07
Modarabas and Mutual Funds	7,815,756	0.39
General Public		
a. Local	149,340,743	7.47
b. Foreign	5,459,883	0.27
Foreign Companies	2,950,870	0.15
Others	23,527,290	1.18
	2,000,000,000	**100.00**

Disclosure Requirement under the Code of Corporate Governance

Details of holding on December 31, 2010		Shares Held
1.	**Associated Companies, Undertakings and Related Parties**	
	Pakarab Fertilizers Limited	819,604,695
	Reliance Weaving Mills Limited	10,327,901
	Reliance Commodities (Pvt) Limited	153,501,990
	Fazal Cloth Mills Limited	32,047,591
	Fatima Sugar Mills Limited	139,570,865
	Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	191,275,719
2.	**NIT & ICP**	
	Investment Corporation of Pakistan	827
	National Bank of Pakistan-Trustee Department NI(T)U Fund	6,883,597
	Natioanl Investment Trust Limited	32,287
3.	**Directors, CEO and their spouse and minor children**	
	Mr. Arif Habib - Chairman	129,369,910
	Mr. Fawad Ahmed Mukhtar - CEO	51,102,723
	Mr. Fazal Ahmed Shekih	61,680,711
	Mr. Faisal Ahmed Mukhtar	61,669,707
	Mr. Jørgen Nergaard Gøl	5,000
	Mr. Muhammad Kashif Habib	13,749
	Mr. M. Abad Khan	374,500
	Mrs. Zetun Arif	69,375,162
	Mrs. Ambreen Fawad	4,842,447
	Mrs. Fatima Fazal	35,156
	Mrs. Farah Faisal	28,125
	Miss Meraj Fatima	5,373,907
	Mr. Asad Muhammad Sheikh	7,735,809
	Mr. Muhammad Mukhtar Sheikh	7,735,809
	Mr. Ibrahim Mukhtar	5,157,206
	Mr. Mohid Muhammad Ahmed	5,157,206
	Mr. Muhammad Fazeel Mukhtar	5,157,206
4.	**Executives**	2,260,000
5.	**Public Sector Companies and Corporations**	–
6.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds**	50,661,409
7.	**Shareholders holding ten percent or more voting interest**	
	Pakarab Fertilizers Limited	819,604,695

Financial Calendar

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

Annual General Meeting	March 31, 2011
1st Quarter ending March 31, 2011	Last week of April, 2011
2nd Quarter ending June 30, 2011	Third week of August, 2011
3rd Quarter ending September 30, 2011	Third week of October, 2011
Year ending December 31, 2011	Second week of February, 2012

Form of Proxy

8th 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 8th Annual General Meeting of the Company to be held on March 31, 2011 and / or any adjournment thereof.

As witness my/our hand/seal this ______________ day of ______________ March 2011.

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.


UREA
Nitrogen 46%
CAN
Nitrogen 26%

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

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