Annual Report for the year ended December 31, 2011

Rising to the World...

Fatima
Fertilizer Company Limited

Rising to the World...

The year 2011 was dedicated to Rising to the World's highest standards in all spheres of operations. Our Core Values embody principles that will sustain and strengthen our long term mission.

However with global ambitions, in a short time, we have gained both national and global recognition for our corporate brand. The launch of the sponsored level-1 American Depository Receipt (ADR) program, subsequent investor road shows and collaboration with renowned international partners have ensured that the Company is well placed for its next phase of growth.

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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

Integrity

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

Innovation

We encourage creativity and recognize new ideas

Teamwork

We work collectively towards a common goal

Safety, Health, Environment & CSR

We care for our people and the communities around us

Customer Focus

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

Excellence

We strive to excel in everything we do

Valuing People

We value our people as our greatest resource

Code of Conduct

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

Profile of the Company

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

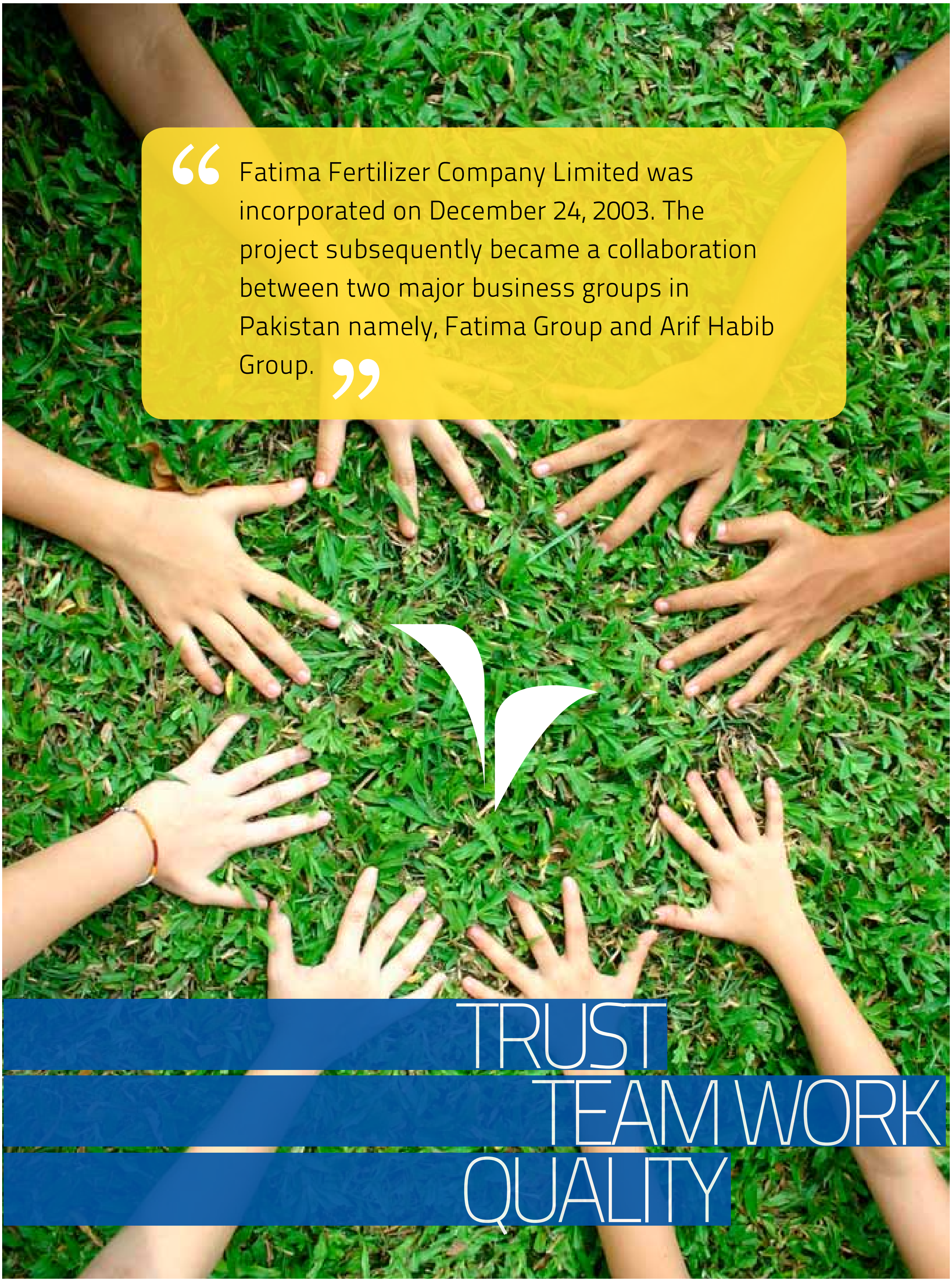
The Complex has 56MW captive power plants in addition to off-sites and utilities. The Complex has been allocated 110 MMCFD of gas from the dedicated Mari Gas Fields. Foundation stone was laid on April 26, 2006 by the then Prime Minister of Pakistan. The construction of the Complex commenced in March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

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.



“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.”

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. Amir Shehzad
Nominiee Director-NBP

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Mohammad Abdul Wahab
Chief Financial Officer

Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Iftikhar Mahmood Baig
General Manager Business Development

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. Amir Shehzad
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Jørgen Nergaard Gøl
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Legal Advisors

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

Auditors

M. Yousuf Adil Saleem & Company
Chartered Accountants
Lahore.
(A member firm of Deloitte Touche Tohmatsu)
134-A, Abubakar Block,
New Garden Town, Lahore.
Tel: No. 92-42-35913595-7
Fax: No. 92-42-35864021

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
BankIslami Pakistan Limited
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
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 / 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, Javedan Corporation Limited and Arif Habib DMCC Dubai.

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

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

Mr. Fawad Ahmed Mukhtar

Chief Executive Officer / Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has rich experience of manufacturing and industrial management. Following his graduation he has spent 28 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

Mr. Fazal Ahmed Sheikh

Executive Director

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

Non-Executive Director

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

Chairman

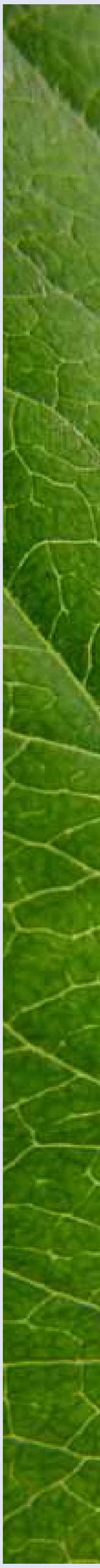
- Workers Welfare Board-Pakarab Fertilizers Limited

Director

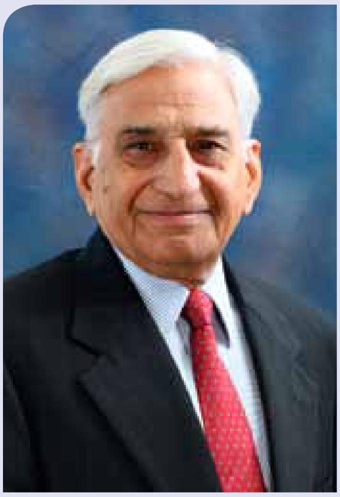
- Pakarab Fertilizers Limited
- Fatima Sugar Mills Limited
- Fatima Energy Limited
- Reliance Weaving Mills Limited
- Reliance Commodities (Private) Limited
- Fazal Cloth Mills Limited
- Air One (Private) Limited

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

Executive Director

M. Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in Fertilizer operations 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 on 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 6 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

Non-Executive Director

Mr. Muhammad Kashif Habib is a Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan (ICAP) and has completed his mandatory Articles with M/s. A. F. Ferguson & Co.Chartered Accountants. He is also director of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Javedan Corporation Limited, Arif Habib REITS management Limited, Rotocast Engineering (Pvt) Limited, Memon Health & Education Foundation, and the Chief Executive of Al-Abbas Cement Industries Limited.

Mr. Jørgen Nergaard Gøl

Non-Executive Director

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

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

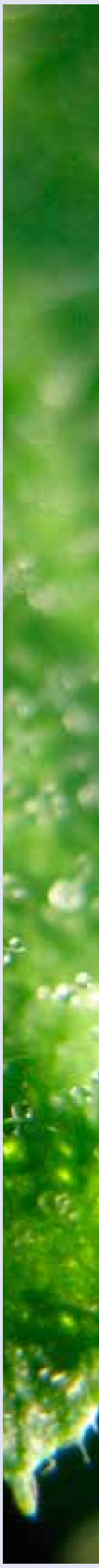
As from January 2006, he was appointed Vice President of Marketing & Sales in the Technology Division and after an internal reorganisation, Vice President, Syngas Technology Business Unit as of June 2009.

As of April 2012, he has been appointed as Group Vice President of the Chemical Business Unit in Haldor Topsøe A/S.

Mr. Amir Shehzad

Nominee Director - NBP

Mr. Amir Shehzad is a nominee director of National Bank of Pakistan (NBP). He holds a B.S degree in Finance from Arizona State University, U.S.A and is currently Senior Vice President and Head of Capital Markets Division at National Bank of Pakistan (NBP). He has an overall work experience of over 18 years at numerous Senior Management positions. He is also on the Board of Directors of National Fullerton Asset Management Company and Pakistan Mercantile Exchange (Pakistan's only commodity exchange) representing National Bank of Pakistan.



Board Structure & Committees

Board Structure

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

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

Board Committees

The standing committees of the Board are:

Audit Committee

Composition

The Audit Committee consists of five members of the Board. Majority of the members of the Audit Committee are non-executive including the Chairman. The members are:

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

Terms of Reference

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

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

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

a) determination of appropriate measures to safeguard the Company's assets;

b) review of preliminary announcements of results prior to publication;

c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - the going-concern assumption;
   - any changes in accounting policies and practices;
   - compliance with applicable accounting standards; and
   - compliance with listing regulations and other statutory and regulatory requirements.

d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) review of management letter issued by external auditors and management's response thereto;

f) ensuring coordination between the internal and external auditors of the Company;

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

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

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

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

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

l) determination of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

Composition

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

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

Terms of Reference

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

1. Duties and Responsibilities

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

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

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

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

1.4 to assist the Board in reviewing d monitoring the succession plans of key positions in the company;

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

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

2. Reporting Responsibilities

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

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

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

3. Authorities and Powers

The Committee is authorised and empowered:

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

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

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

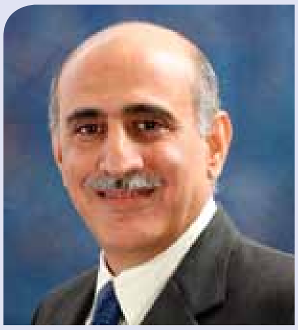
Organizational Chart

- Board of Directors
  - Chief Executive Officer
    - Director Operations
    - Head of Procurement
    - Head of Information Technology
    - Chief Financial Officer
    - Director Marketing
    - Group Head of Human Resources
    - Head of Internal Audit
    - GM Business Development
    - Company Secretary
  - Audit Committee
  - HR and Remuneration Committee

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



Mr. Muhammad Zahir
Director Marketing

Mr. Muhammad Zahir holds a 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. Haroon Waheed
Group Head of Human Resource

Mr. Haroon has done his LL.M from Monash University, Melbourne, Australia. He has 20+ years of national & international broad based functional business experience with Unilever and has been associated with Pakistan Society of HR Management as President. In addition to representation in the HR & Management Development conferences at the National Level. Mr. Haroon has won the International best HR Leadership award in 2010.

Mr. Mohammad Abdul Wahab
Chief Financial Officer

Mr. Muhammad Abdul Wahab has over 25 years national & international experience in banking, oil & gas, manufacturing, retail, automobile and aviation industries. Prior to joining Fatima Group, he worked in NDFC, Mari Gas, Berger Paints, BMW Group, Canada and National Air Services, Saudi Arabia and held various senior management positions in the areas of finance, strategic business planning, risk management and corporate compliance. He is a Chartered Accountant from Pakistan and a member of Institute of Certified Public Accountant of USA.

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.

Mr. Iftikhar Mahmood Baig

GM Business Development

Mr. Iftikhar Mahmood Baig is working as GM Business Development of Fatima Group. He is also director of Fatima Energy Limited, Reliance Sacks Limited, Pakistan Mining Company Limited and member of the Workers Welfare Board-Pakarab Fertilizers Limited. He is a Fellow member of Institute of Chartered Secretaries and Managers of Pakistan. Mr. Baig is associated with Fatima Group since 1996 and has held various senior level management positions. He has over 28 years of experience in new venture development, Corporate, Finance, Government Relations and Strategic 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. He joined the Company in October, 2010.

Shahid Saeed

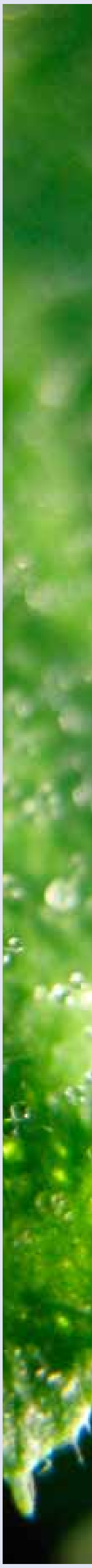
Head of Information Technology

Mr. Shahid Saeed holds a Masters degree in Information Technology, from the UK. He has more than 26 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 also did his graduation in computer science from university of Mississippi, USA. He brings with him an experience of around 25 years, out of which more than 15 years is in the area of supply chain with multinational companies in Pakistan including Philips, Alcatel, Mobilink and PTCL. He has attended International Training Course on management and leadership from world renowned institutions like Insead, Harvard and MIT. Mr. Akbar is registered as Professional Engineer with Pakistan Engineering Council. He is also a member of Institute of Engineers, Pakistan.



Notice of 9th Annual General Meeting

Notice is hereby given that the Ninth Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Saturday, April 28, 2012 at 10:30 a.m. at Royal Palm Golf and Country Club, 52-Canal Bank Road, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on April 30, 2011.
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, 2011.
3. To appoint Auditors for the year ending December 31, 2012 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.
4. To consider and approve final cash dividend for the year ended December 31, 2011 at PKR 1.5 per share i.e., 15% as recommended by the Board of Directors.

Other Business

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

By order of the Board

Ausaf Ali Qureshi
Company Secretary

Lahore: April 06, 2012

Notes:

1. The share transfer books of the Company will remain closed from April 21, 2012 to April 28, 2012 (both days inclusive). Transfers received in order at the office of 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 April 20, 2012 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.

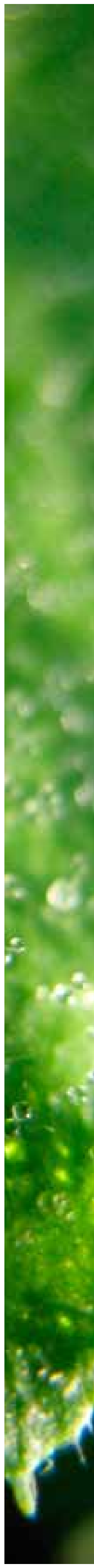
   ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

   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.

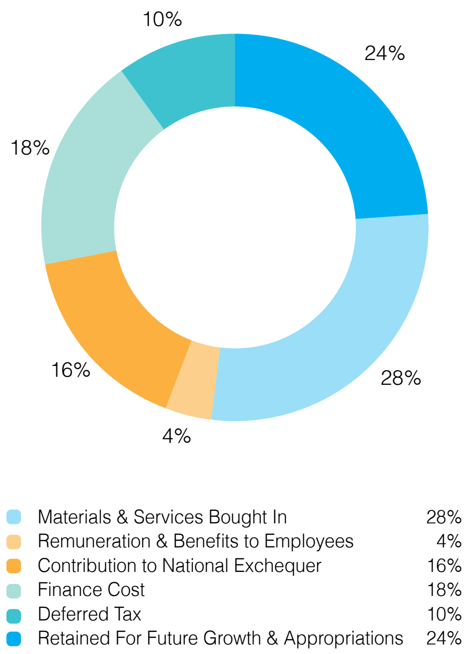
5. Shareholders are requested to immediately notify the change of their address, if any.



Statement of Value Addition & its Distribution

	2011 PKR Million	Distribution %
Wealth Generated		
Sales Including GST	16,980	99%
Other Income	133	1%
	17,113	100%
Wealth Distributed		
Materials & Services Bought In	4,735	28%
Remuneration & Benefits to Employees	711	4%
Contribution to National Exchequer (Income Tax, Sales Tax, Custom & Excise Duties)	2,783	16%
Finance Cost	3,063	18%
Deferred Tax	1,704	10%
Retained for Future Growth & Appropriations	4,117	24%
	17,113	100%

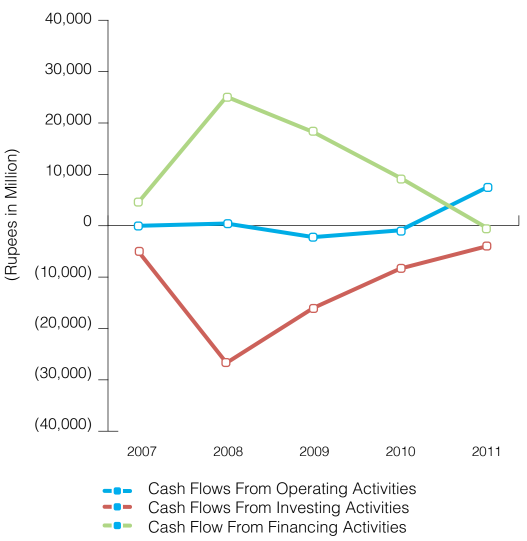
Value Added and Distribution
2011 (%age)



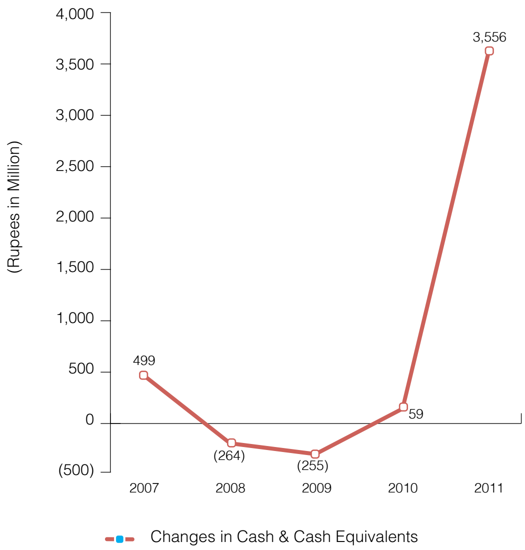
Cash Flows Summary

	2011	2010	2009	2008	2007
			PKR Million		
Cash Flows From Operating Activities					
Cash (Used In)/Generated From Operations	10,922	(323)	(1,948)	716	294
Finance Costs Paid	(3,166)	(9)	(7)	-	(142)
Taxes Paid	(282)	(22)	(12)	(37)	(1)
Employee Retirement Benefits Paid	(8)	(28)	(3)	(1)	(0)
Net Cash Inflow/(Outflow) - Operating Activities	**7,466**	**(381)**	**(1,970)**	**677**	**151**
Cash Flows From Investing Activities					
Fixed Capital Expenditure	(386)	(3,695)	(13,176)	(24,943)	(4,572)
Finance Costs Paid	(3,311)	(5,153)	(3,530)	(422)	-
Proceeds From Disposal of Property, Plant & Equipment	-	1	-	-	-
Net proceeds from disposal of short term investments	2	-	-	-	-
Net Increase/(Decrease) in Long Term Loans & Deposits	28	(8)	(3)	(3)	(1)
Interest Income Received	30	-	-	-	-
Net Cash (Outflow) - Investing Activitites	**(3,637)**	**(8,855)**	**(16,709)**	**(25,368)**	**(4,573)**
Cash Flows From Financing Activities					
Proceeds/Advances Received Against Prefference Shares	-	102	3,898	-	-
Proceeds From Share Deposit Money	-	2,790	2,491	8,074	5,064
Cost of Issue of Share Capital	-	(110)	-	-	-
Proceeds From Long Term Finance	44	6,198	12,498	15,888	948
Increase in Short Term Finance - Net	(316)	316	-	-	-
Increase/(Decrease) in Bills Payable	-	-	(464)	464	(1,091)
Net Cash (Outflow)/Inflow - Financing Activities	**(273)**	**9,295**	**18,424**	**24,426**	**4,921**
Net Increase/(Decrease) in Cash & Cash Equivalents	3,556	59	(255)	(264)	499
Cash & Cash Equivalents At Beginning of The Year	283	224	479	744	244
Cash & Cash Equivalents At End of The Year	**3,839**	**283**	**224**	**479**	**744**

Cash Flows from
Operating, Investing & Financing Activities



Changes in Cash &
Cash Equivalents



Balance Sheet - Vertical Analysis

	2011		2010		2009		2008		2007	
					PKR Million					
Non-Current Assets	Pkr	%	Pkr	%	Pkr	%	Pkr	%	Pkr	%
Fixed Capital Expenditure	68,216	89.35%	64,920	93.47%	54,978	96.11%	37,200	97.65%	10,378	91.83%
Deferred Tax Asset	-		22	0.03%	-	-	-	-	-	-
Long Term Loans and Deposits	5	0.01%	16	0.02%	8	0.01%	5	0.01%	2	0.02%
Total Non-Current Assets	68,221	89.36%	64,958	93.52%	54,986	96.13%	37,205	97.66%	10,380	91.85%
Current Assets										
Stores And Spares	1,931	2.53%	2,479	3.57%	1,143	2%	2	0.01%	-	-
Stock In Trade	1,215	1.59%	540	0.78%	-	-	-	-	-	-
Trade Debts	196	0.26%	257	0.37%	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	52	0.46%
Loans, Advances, Deposits and Prepayments	945	1.24%	940	1.35%	849	1.48%	411	1.08%	125	1.11%
Cash and Bank Balances	3,839	5.03%	283	0.41%	224	0.39%	479	1.26%	744	6.58%
Total Current Assets	8,126	10.64%	4,499	6.48%	2,216	3.87%	892	2.34%	921	8.15%
Total Assets	76,347	100.00%	69,457	100.00%	57,202	100.00%	38,097	100.00%	11,301	100.00%
Share Capital And Reserves										
Issued, Subscribed and Paid-Up Capital	20,000	26.20%	20,000	28.79%	18,000	31.47%	8,935	23.45%	7,435	65.79%
Share Deposit Money for Ordinary Shares	-	-	-	-	-	-	6,574	17.26%	-	-
Preference Shares	4,000	5.24%	4,000	5.76%	-	-	-	-	-	-
Hedging Reserve	-	-	-	-	-	-	(10)	-0.03%	29	0.25%
Share Premium	790	1.03%	790	1.14%	-	-	-	-	-	-
Unappropriated Profit/(Loss)	3,265	4.28%	(531)	-0.76%	(257)	-0.45%	(153)	-0.40%	(9)	-0.08%
Total Share Capital and Reserves	28,055	36.75%	24,259	34.93%	17,743	31.02%	15,346	40.28%	7,454	65.96%
Non-Current Liabilities										
Long Term Finance	34,457	45.13%	37,446	53.91%	30,846	53.93%	18,750	49.22%	2,862	25.33%
Deferred Taxation	1,704	2.23%	-	-	-	-	-	-	-	-
Mark Up on Sponsors Loans	1,270	1.66%	604	0.87%	-	-	-	-	-	-
Advance Against Preference Shares	-	-	-	-	3,898	6.81%	-	-	-	-
Retirement and Other Service Benefits	103	0.13%	74	0.11%	54	0.09%	32	0.08%	12	0.10%
Bills Payable	-	-	-	-	-	-	464	1.22%	71	0.63%
Total Non-Current Liabilities	37,534	49.16%	38,124	54.89%	34,798	60.83%	19,246	50.52%	2,945	26.06%
Current Liabilities										
Current Portion of Long Term Loans	3,033	3.97%	-	-	402	0.70%	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	15	0.04%	-	-
Short Term Borrowings	-	-	316	0.45%	-	-	-	-	-	-
Trade and Other Payables	4,651	6.09%	3,704	5.33%	1,662	2.91%	1,958	5.14%	902	7.98%
Accrued Markup	2,838	3.72%	2,989	4.30%	2,596	4.54%	1,532	4.02%	-	-
Provision for Taxation	236	0.31%	65	0.09%	-	-	-	-	-	-
Total Current Liabilities	10,758	14.09%	7,074	10.18%	4,660	8.15%	3,505	9.20%	902	7.98%
Total Liabilities and Equity	76,347	100.00%	69,457	100.00%	57,202	100.00%	38,097	100.00%	11,301	100.00%

Balance Sheet - Horizontal Analysis

	2011	11' vs '10	2010	10' vs 09'	2009	09' vs 08'	2008	08' vs 07'	2007
	PKR Million								
Non-Current Assets	PKR	Change %	PKR	Change %	PKR	Change %	PKR	Change %	PKR
Fixed Capital Expenditure	68,216	5.1%	64,920	18.1%	54,978	47.8%	37,200	258.4%	10,378
Deferred Tax Asset	-	-100.0%	22	-	-	-	-	-	-
Long Term Loans And Deposits	5	-65.7%	16	100.0%	8	60.0%	5	150.7%	2
Total Non-Current Assets	**68,221**	**5.0%**	**64,958**	**18.1%**	**54,986**	**47.8%**	**37,205**	**258.4%**	**10,380**
Current Assets									
Stores, Sparesand Loose Tools	1,931	-22.1%	2,479	116.9%	1,143	57050.0%	2	-	-
Stock-In-Trade	1,215	125.0%	540	-	-	-	-	-	-
Trade Debts	196	-23.8%	257	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	52
Loans, Advances, Deposits and Prepayments	945	0.6%	940	10.7%	849	106.6%	411	227.6%	125
Cash and Bank Balances	3,839	1256.5%	283	26.3%	224	-53.2%	479	-35.6%	744
Total Current Assets	**8,126**	**80.6%**	**4,499**	**103.0%**	**2,216**	**148.4%**	**892**	**-3.2%**	**921**
Total Assets	**76,347**	**9.9%**	**69,457**	**21.4%**	**57,202**	**50.1%**	**38,097**	**237.1%**	**11,301**
Share Capital And Reserves									
Issued, Subscribed and Paid-Up Capital	20,000	0.0%	20,000	11.1%	18,000	101.5%	8,935	20.2%	7,435
Share Deposit Money for Ordinary Shares	-	-	-	-	-	-100.0%	6,574	-	-
Preference Shares	4,000	-	4,000	100.0%	-	-	-	-	-
Hedging Reserve	-	-	-	-	-	-100.0%	(10)	-134.9%	29
Share Premium	790	-	790	-	-	-	-	-	-
Unappropriated Profit/(Loss)	3,265	-714.9%	(531)	106.6%	(257)	68.0%	(153)	1582.8%	(9)
Total Share Capital & Reserves	**28,055**	**15.6%**	**24,259**	**36.7%**	**17,743**	**15.6%**	**15,346**	**105.9%**	**7,454**
Non-Current Liabilities									
Long Term Finance	34,457	-8.0%	37,446	21.4%	30,846	64.5%	18,750	555.0%	2,862
Deferred Taxation	1,704	-	-	-	-	-	-	-	-
Mark Up on Sponsors Loans	1,270	110.3%	604	-	-	-	-	-	-
Advance Against Preference Shares	-	-	-	-100.0%	3,898	-	-	-	-
Retirement and Other Service Benefits	103	38.9%	74	37.0%	54	68.8%	32	173.8%	12
Bills Payable	-	-	-	-	-	-100.0%	464	556.3%	71
Total Non-Current Liabilities	**37,534**	**-1.5%**	**38,124**	**9.6%**	**34,798**	**80.8%**	**19,246**	**553.6%**	**2,945**
Current Liabilities									
Current Portion of Long Term Loans	3,033	-	-	-	402	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	15	-	-
Short Term Borrowings	-	-	316	-	-	-	-	-	-
Trade and Other Payables	4,651	25.6%	3,704	122.9%	1,662	-15.1%	1,958	117.0%	902
Accrued Markup	2,838	-5.1%	2,989	15.1%	2,596	69.5%	1,532	-	-
Provision for Taxation	236	263.4%	65	-	-	-	-	-	-
Total Current Liabilities	**10,758**	**52.1%**	**7,074**	**51.8%**	**4,660**	**33.0%**	**3,505**	**288.5%**	**902**
Total Liabilities and Equity	**76,347**	**9.9%**	**69,457**	**21.4%**	**57,202**	**50.1%**	**38,097**	**237.1%**	**11,301**

Profit & Loss Account - Vertical Analysis

	December 31, 2011 PKR Million	% Change
Sales	14,833	100%
Cost of Sales	(4,781)	-32%
Gross Profit	**10,052**	**68%**
Administrative Expenses	(377)	-3%
Selling & Distribution Expenses	(338)	-2%
Other Operating Expenses	(320)	-2%
Other Operating Income	134	1%
Profit From Operations	**9,151**	**62%**
Finance Cost	(3,063)	-21%
Profit Before Taxation	**6,088**	**41%**
Taxation	(1,971)	-13%
Profit After Taxation	**4,117**	**28%**

Profit & Loss Account - Horizontal Analysis

	Dec. 31, 2011 PKR Million	Dec. 31, 2010 PKR Million	Change times
Sales	14,833	-	1
Cost of Sales	(4,781)	-	(1)
Gross Profit	**10,052**	**-**	**1**
Administrative Expenses	(377)	(114)	2
Selling & Distribution Expenses	(338)	-	(1)
Other Operating Expenses	(320)	-	(1)
Other Operating Income	134	2	76
Profit From Operations	**9,151**	**(112)**	**83**
Finance Cost	(3,063)	(9)	341
Profit Before Taxation	**6,088**	**(121)**	**51**
Taxation	(1,971)	(43)	45
Profit After Taxation	**4,117**	**(164)**	**26**

Directors' Report

Arif Habib
Chairman

> "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, 2011 together with auditors' reports thereon and a brief overview of financial and operational performance of the Company."

Fawad Ahmed Mukhtar
Chief Executive Officer

Fertilizer Market Review

International scenario

The global fertilizer business continued to recover in 2011 showing positive trend. It is estimated that fertilizer demand increased by 6.2% in 2011 to 173 Million Metric Tons. This growth was triggered by firm agricultural commodity markets. Nitrogen fertilizer demand, which fully recovered in 2009-10 from economic downturn, is seen up by 2.6% to 104.5 Million Metric Tons. Phosphate fertilizer demand is estimated to have increased by a significant 8.8% to 40.7 Million Metric Tons. Global nutrient capacity grew at a slower rate than production, confirming the tightness of supply seen throughout 2011, because of delays in new capacity commissioning and stronger than expected demand. Overall, the pricing trend for Ammonia, Urea and DAP remained positive rising to around $700 per ton, $500 per ton and $625 per ton respectively. World cotton prices softened during the year. Wheat prices also witnessed a downward trend in 2011 due to significant expansion in production in Kazakhstan, Brazil and Russia.

Domestic market

2011 saw unprecedented increase in prices of fertilizers as continued curtailment and prolonged shut down due to gas outage on the National gas network based fertilizer plants, and limited curtailment on the Mari field plants, reduced production significantly. The country was therefore once again forced to import Urea despite indigenous capacity to meet demand and indeed export. To fulfill needs of domestic agricultural market and deal with fertilizer shortages government imported 1.2 Million tons of Urea. This major import cost the economy a huge out flow of precious foreign exchange and a hefty amount in subsidy. The rise in prices was further compounded by the imposition of General Sales Tax on all fertilizers.

On the back of price increases during the year and floods in lower Sindh, Urea demand registered a further slowdown over the previous year. It is estimated that the Urea market declined by 3% over 2010 to approximately 5.9 million tons. The phosphate market showed major shrinkage as sales dropped by a significant 15% for the year over the

same period last year. Global prices of DAP, which had commenced appreciating in 2010 and had increased by 40% by the end of 2010, further spiraled by another 34% at the end of 2011. The agriculture commodities on the other hand registered reduction in their rates. Wheat prices saw a dip in mid-year due to Russia's wheat price hitting rock bottom in international market but the Government of Pakistan raised its support price too late in the year to improve farmer response. Cotton prices saw a decrease of 30% from 2010 to 2011. Maize prices also decreased particularly in the third and fourth quarter. Sugarcane prices remained higher whereas rice prices decreased over the course of year making it one of the preferred export items after Thailand's losing out on its rice due to 2011 floods.

Company performance

Our sales for the year remained in line with production for CAN and Urea selling 398,237 Metric Tons and 447,432 Metric Tons respectively. However, sales of NP were impacted in later part of the year with the decline in the Phosphate market due to record high prices and the negative impact on wheat sowing due to floods in Sind and the delayed announcement of the support price which was below expectation. We recorded sales of 108,078 Metric Tons. The Company has made a successful entry in the local nitric acid market by becoming the major seller in the dairy segment and metallurgy sector. Plans are in place to enter the gold refining segment.

The Company launched its brand "Sarsabz" in January 2011 supported by aggressive media and outdoor campaigns in the main growing seasons. The initial reports on the awareness levels on brand are extremely encouraging. Additionally, the dealer network underwent major expansion as the business more than doubled its reach. The farmer outreach program through the technical service team was launched with significant improvement in farmer contact. Warehouse rationalization resulted in improving efficiencies whilst controlling costs.

Extensive farmer training was conducted through seminars, farmer gatherings, farm visits and demonstration plots. These activities were conducted during Kharif and Rabi and on major crops. The state of the arts soil analysis lab at Fatima's plant site was made operational to provide farmers with comprehensive soil analysis and supporting fertilizer usage solutions to improve yields.

Financial Performance Review

You would be pleased to know that your Company's financial and operational performance since commercial production on July 1, 2011 has significantly exceeded expectations. This is visible from the robust profit after tax of PKR 4.3 billion that your Company has achieved during the first six months of its Commercial Operations i.e., July 2011 to December 2011. This profit is attributable to strong demand for all the three products i.e., Urea, CAN and NP. Sales amounted to PKR 15 billion during the period since start of Commercial Operations, where Urea contributed the highest amount being 37% of total sales revenue, NP contributed 32% and CAN contributed 31%. Sales for the period January to June 2011 amounting to PKR 8 billion being trial run in nature and have been capitalized in Capital Work in Progress.

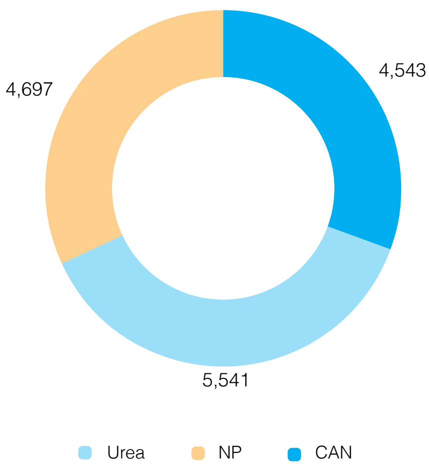
Financial Highlights (Commercial Operations)	PKR Million
Turnover	14,833
Gross profit	10,052
Profit before tax	6,157
Profit after tax	4,270
Earnings per share - basic (rupees)	2.13
- diluted (rupees)	1.92

Appropriations

Appropriations during the year were as follows:

	PKR in '000
Unappropriated loss brought forward	(531,220)
Net profit after taxation	4,116,975
Profit available for appropriations	3,585,755
Dividend on Preference Shares	(320,890)
Unappropriated profit carried forward	3,264,865

Sales Mix (PKR Million)
(Commercial Operations)



Plant wise Production for the year 2011 including both trial run and commercial operations is as follows:

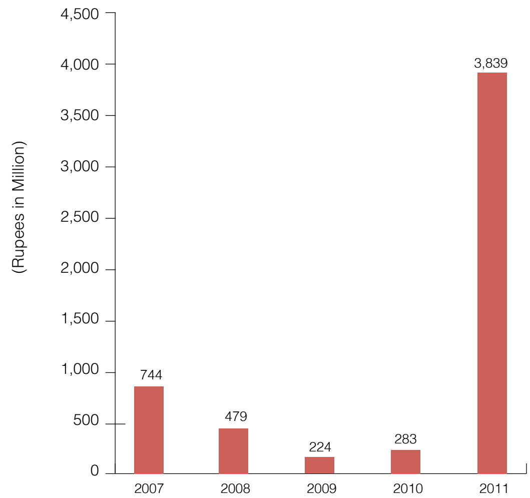
Plant	Production (MT "000")	Capacity Utilization (%)
Urea	427	85
CAN	355	85
NP	143	59
Nitric Acid	325	65
Ammonia	426	85

Your Company's strong performance in terms of Sales was reflected in the bottom line whereby, profit before tax was recorded at PKR 6.2 billion and profit after tax was PKR 4.3 billion, for the post Commercial operations period, while for the full year, profit after tax stood at PKR 4.12 billion and basic and diluted earnings per share were PKR 2.06 and PKR 1.85 respectively.

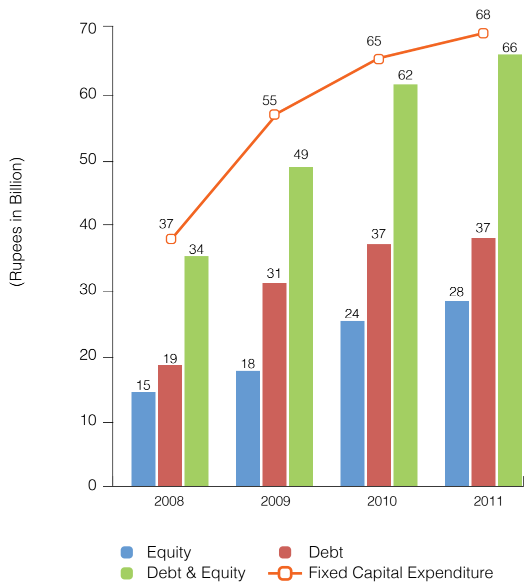
This excellent financial performance during the year also reflected in your Company's improved liquidity position which strengthened Shareholder's equity.

During the year the Company has recognized deferred tax liability of PKR 1.7 billion which represents taxable temporary difference arising mainly due to difference in accounting and tax base of fixed asset of the Company.

Cash & Cash Equivalents at end of the Year



Debt Equity &
Fixed Capital Expenditure



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 both internal cash generations and external sources where necessary. During the year 2011, cash flow generation of the Company significantly improved after commencement of Commercial Operations and all the short term loans have been repaid. However keeping in view future needs, short term financing facilities have been increased from PKR 4 billion to PKR 6 billion during the year.

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

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of Fatima Fertilizer from A to A+, while the short term rating is maintained at A1. These ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The up-gradation of ratings is due to significant improvement in the risk profile of the Company after commencement of Commercial Operations.

Contribution to National Exchequer and Economy

An amount of PKR 2,783 million was contributed during the year in respect of Custom duties, Sales tax and Income tax.

Post Balance Sheet Events

The Board of Directors at its meeting held on March 9, 2012 has proposed a final cash dividend @ PKR 1.50 per share i.e. 15% for the year ended December 31, 2011 for approval of the members at the Annual General Meeting to be held on April 28, 2012. The financial statements do not reflect this proposed dividend.

Operational Review

Your Company's operational performance was a matter of satisfaction for all. The annual production targets for the year were successfully surpassed while continuously achieving desired levels of production efficiencies. Product quality was also in line with local and international standards.

Performance of plants continued to improve further during the year and consequently all plants namely Ammonia,

Nitric Acid, Urea, Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP) achieved their nameplate capacities. Ammonia plant produced 426,201 MT (an increase of 67% over 2010 figure) with an improved availability factor of 94% (79% in 2010). Maximum load achieved by this plant was 101% of the design. Urea plant produced 426,902 MT (an increase of 32% over 2010 figure) with an availability factor of 87% (a 3% increase over year 2010). Maximum load achieved by this plant was 111%.

The NP plant operation stabilized gradually after May 2011 and the plant produced 142,661 MT in current year with availability factor of 85%. NP plant achieved nameplate capacity and maximum operating load attained was 105%. CAN plant continued to operate stably and achieved annual production of 355,308 MT (an increase of 102% over 2010 figure) with an availability factor of 86% (70% in 2010). Maximum load achieved was 100%.

First Annual Turnaround of the plants was successfully completed in April 2011 and contributed towards stable operations subsequently. Installation of Natural Gas Booster Compressors at Fatima site alleviated the problem of lower natural gas pressure and helped the Ammonia plant operate at designed capacity.

Directors' Report

At Nitric Acid Plant, an UHDE designed N_2O abatement unit was successfully installed and commissioned and its registration with UNFCCC is in progress. The project will yield trade-able Certified Emission Reductions (CERs).

In order to increase the Ammonia production capacity from 1500 to 1800 MTPD and improve efficiencies, Company has awarded a project study to M/s Haldor Topsøe A/S. The study results will be available by May this year.

A site-wide Integrated Performance Test Run of all plants was completed on January 18, 2012 under the supervision of our construction/ commissioning contractor, China National Chemical Engineering Company (CNCEC) and Lenders' Technical Advisor M/s Shaw Consultants. During this 72 hours test run, both intermediate (Ammonia & Nitric Acid) and end-product plants (UREA, CAN and NP) were simultaneously operating at about 100 % of designed load.

Your Company attaches high importance to capability enhancement of its human resources. Continuous efforts were made to develop the in-house Technical Training Centre that provided more than 50,000 hours of training in 2011 to various management and non-management cadres. Technical training at vendor's facilities for engineers and number of trainings to improve soft and managerial skills were also imparted. A Job Qualification Program is also being implemented which will become the backbone for skills development and promotions of the non-management staff.

The Training Centre is also imparting training to trade apprentices in various technologies and preparing them to play their role in national economy. Approximately 75-80 apprentices are benefitting from this facility every year. Upon completion of their training some of these are absorbed in your company while other goes out to serve diverse process industries.

Continued improvement in the township facilities, community engagement through healthy activities, school, clinic etc. remained in focus. Several housing blocks were constructed and made available to the families while a modern club house with swimming pool, sports and community facilities is in the final stage of completion. Dozens of events related to sports competitions, health awareness, fun fair and musical evening were organized for the employees' welfare and engagement.

Health, Safety and Environment

Health, Safety and Environment (HSE) continued to be an important priority. Considerable efforts were put in to complete the transition from construction to operational phase. Since achieving excellence in all fields is the aim of your Company, accreditation to international safety and environmental standards, ISO-14001 and ISO-18000 is planned within year 2012 for which extensive work is in progress.

Corporate Social Responsibility

Your Company is a socially responsible corporate entity and is working diligently for the welfare of the communities where we operate and the society in general. The Company recognizes that we have a unique and important role to play in promoting sustainable growth for the economy and making a positive impact on the society.

The Company's aim is effective internalization of CSR practices in a manner that fulfills expectations of the society and serves a wider range of human values as well as contributing towards the longevity, endurance and the sustainability of business operations.

Rehabilitation of flood affectees

The devastation caused by floods in Pakistan, destroyed hundreds of thousands of homes, washed away entire crops and killed livestock on a massive scale. Along with all the companies under the Fatima Group and Arif Habib Group banner, your Company actively provided relief goods to flood hit areas of Punjab from the outset. Support was provided to around 14,000 flood victims in Muzaffargarh, Rahim Yar Khan, Kot Addu, Bhong, Alipur, Sadiqabad and Liaqatpur.

For the rehabilitation of flood victims, a project worth PKR 22 million has been undertaken to set up Fatima Model Village at Mehmood Kot District, Muzaffargarh and 50 houses are being built.

Last year's floods in Sindh, in the South-East Pakistan impacted millions of people, leaving over 300 dead, over 550 injured, over a million homes affected and millions of acres of land has submerged in monsoon rains. This included cultivated areas, leaving 80% of the cash crops damaged. Situation in 14 districts of Sindh became dire, with Badin, Naushero Feroz, Nawabshah and Mirpur Khas being the worst affected areas. The catastrophe required our immediate response. Given the devastation caused, Fatima Fertilizer Company Limited made significant contributions for the relief and rehabilitation of the victims.

Vaccination Centre

On May 15, 2011 the medical Centre including a vaccination center started functioning at Plant site to facilitate neighboring community and our staff. The center provides hepatitis awareness, screening/diagnostic facility for Hepatitis B & C and vaccination for Hepatitis B. To date, more than 50 people have been vaccinated through acquired vaccines on a temporary basis. To ensure regular operations, the Company will invest PKR 100,000 as a one-time non-operational expense and will provide PKR 322,000 per month as operational expenses. The treatment to the neighboring community would be free through the year.

Subsequently, the Company plans to undertake Fatima Fertilizer Welfare Hospital (FFWH), a modern welfare hospital in the vicinity of Plant site, to cater for the needs of underprivileged of the area.

LUMS – National Outreach Program (NOP)

Your Company participated in the National Outreach program at the prestigious Lahore University of Management Sciences (LUMS). NOP is an initiative that was launched in 2001 and the objective of this program is to provide educational opportunities to bright students from smaller cities, villages and inner city areas of large urban centers, unable to meet the regular fee requirements. Your Company participated by sponsoring 8 deserving students from Southern Punjab through the four year degree program. In 2011, the Company contributed PKR 3.6 million for the development of an Auditorium and to the NOP cause at LUMS.

Contribution to SIUT

Your Company contributed PKR 500,000 to the Sindh Institute of Urology and Transplantation. SIUT is a public health sector organization providing comprehensive and modern medical facilities free of cost to patients from predominantly rural and urban strata with virtually no access to medical facilities.

Contribution to PEN

Progressive Education Network (PEN) is an organization working to foster a wider network of schools across Pakistan, improving enrollment and providing quality education to underprivileged children. Your Company contributed an amount of PKR 1 million to further this cause.

Contribution to Karachi Education Initiative

Further strengthening our commitment to the education sector of Pakistan, the Company contributed PKR 12.5 million to the Karachi Education Initiative. The Karachi Education Initiative (KEI) is a not-for-profit entity registered under Section 42 of the Companies Ordinance. The KEI is the sponsoring and fund raising entity of the Karachi School for Business & Leadership. The Chairman of Fatima Fertilizer Company Limited, Mr. Arif Habib, is on the Board of Directors of Karachi Education Initiative.

The establishment of the Karachi School for Business & Leadership, a new world-class graduate business school in this country, is a transformative event for the country. KSBL aims to provide its students with tools and knowledge to give local and international companies a competitive advantage, with executive education programs that are taught in Karachi by faculty from the top-ranked University of Cambridge, Judge Business School. The full-time MBA program will commence in the fall of 2012 followed by the working professional MBA program in 2014.

Human Resource Management

Your Company is committed to improving business performance by enhancing human capital standards in the areas of Organizational Development and Reward Management. For this purpose, we have upgraded our Performance Management process and also participated in the Mercer's remuneration as well as employee benefits survey using benchmarking tools so as to be able to benchmark our employees' salaries and benefits with the market.

Your Company has revised and formulated new policies for the betterment of the human capital. These policies include the recruitment policy, Company Assigned Car and Car Allowance Policies, leave policy, medical policy, transfer policy and harassment policy.

As per the new recruitment strategy, in year 2011 the Company conducted recruitment drives at the following Institutions:

1. LUMS
2. IBA, Karachi
3. NUST, Islamabad
4. Ghulam Ishaq Khan Institute
5. NED, Karachi
6. Lahore School of Economics
7. UET, Lahore
8. Punjab University, Lahore



HRMS Oracle R12 development in the year 2011 has progressed further with important advances in the following areas:

- Organizational Hierarchy defined
- Employee database formed (personal details, contact information, job assistance)
- Employee separation process
- Medical claims process and database
- Trainings database
- Payroll Module
- Self-Service portal
- Report generation

Training and Development

Your company is committed to building employees' capabilities through a structured training program. Our belief is that in order to grow business it is important to enhance knowledge and skill base of employees. This not only enhances employee commitment to the company's growth agenda but also makes them more productive.

Trainings conducted in 2011

- Effective contract management
- Leadership Grid
- Management by Objectives (MBO)
- Introduction to Management
- Advanced training for MS Excel
- Succession Management
- Compensation & Benefits
- High performance Sales Management
- HSE Skills-Human Factors based Safety
- Brand Matrix
- Leveraging Organizational & cultural Change
- Leadership- Great Leaders, Great Teams, Great Results.

Team-building exercise for the HR function was conducted at Green Fields Country Club. The HR team developed the 2012 objectives during this exercise.

Further strengthening our employee capability building programme, we have now put a roadmap in place which will have following two basic streams

1. Core T&D Stream

All management employees will now be required to be trained in the CORE T&D program which builds skills and efficiencies in the following areas.

1. Management Essentials
2. Business Skills
3. Leadership Competencies

The CORE program courses are designed separately for each management level. The program has been made mandatory for employees to progress from one level to another.

2. Strategic T&D Stream

Strategic T&D stream offers programs to managers to meet the following business and organizational requirements.

1. Functional Competencies identified through TNA (training needs analysis)
2. Development of medium and high potential employees as per their IDPs (Individual Development Plans)
3. Project and/or change initiative-based training.

CORE TRAINING AND DEVELOPMENT STREAM

Management Level	Management Essentials	Business Skills	Leadership Competencies
	Building organisational Excellence	Driving Growth and Profitability	Building and Leading World Class teams and businesses
Junior Management (Officers) Total population: 519	1. Introduction to Management 2. Best Workplace Practices 3. Supervisory Skills 4. Performance Management 5. Teamwork Skills 6. HSE skills - Level 1	1. Introduction to Business Management 2. Finance for non-financial Managers/Planning and Budgeting 3. Business writing skills	1. Leadership Competencies Level 1
Middle Management (Executives and Sr. Executives) Population : 102	1. Leading and building High Performace Team 2. Advance Management skills 2. Coaching for High Performance 4. Change Management Level 1: Facilitating Change 5. Train The Trainer 6. HSE skills - Level 2 (Human Factors based training)	1. Business Strategy-I (competitive analysis and plan) 2. Enterpreneurial skills 3. Business Process Engineering (PCAT model)	1. Leadership Competencies- Level 2 2. Leadership Grid 3. Situational Leadership Skills
Senior Management (Department Managers and above Population : 25	1. Change Management: Driving change and organisational development 2. Thought Leadership 3. Building employee engagement 4. HSE Management - advanced 5. Quality Systems and Compliance Management	1. Business Leadership 2. Corporate Strategy	1. Leadership competencies - Level 3

Information Technology Review

Following the implementation of the core ERP system, 2011 saw the stabilization of ERP and implementation of additional modules:

- Cash Management that provides comprehensive bank reconciliation and flexible cash forecasting to effectively manage and control our cash cycle
- Oracle budgeting module within General Ledger that facilitates comparison between actual vs. budgeted transactions
- Oracle Core HRMS module that allows personnel management including medical reimbursement, vehicle management and employee training through ERP system
- Applied stronger controls in Oracle sales system and completed transition from legacy sales systems to Oracle ERP R12

The design for Enterprise Data Network (EDN) and Wide Area Network (WAN) was finalized and will now move to execution phase in early 2012.

Standardization of IT assets was completed. We will be evaluating all services to determine the feasibility of outsourcing for improved efficiency and reduced cost.

The IT Security department was established with the aim to deliver and maintain a security program that safeguards information assets against unauthorized use, disclosure, modification, damage or loss. An exhaustive Infrastructure risk assessment exercise was undertaken and based on the results and directives of the CEO, an IT security roadmap was formulated, the implementation of which will ensure the basic principal of confidentiality, integrity and secure availability of Information and Information Assets. In addition, the infrastructure risk assessment exercise, IT Security policies, procedures and processes based on the International organization of Standardization (ISO) 27001 have been designed and will be implemented across the Group.

Project Management Office (PMO) department was created to introduce governance, methodologies, standards, guidance and metrics on the practice of project management and execution. The department has already started showing results by providing transparency into all initiatives through the executive level dashboards, resource management and mitigation of risks for all key projects.

Code of Corporate Governance

The Board and management of the Company 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 financial statements

e) The system of internal control is sound in design and has been effectively implemented and monitored

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

Changes in the Board

During the year under review, the directors of your Company completed their tenure in office. Election of directors was held on April 30, 2011 and all the existing directors were re-elected for the next term of three years.

The nominee director of Allied Bank Limited, Mr. Muhammad Jawaid Iqbal and nominee director of National Bank of Pakistan, Mr. Syed Iqbal Ashraf tendered their resignations from the Board on June 7, 2011 and October 10, 2011 respectively. National Bank of Pakistan has nominated Mr. Amir Shehzad in place of Mr. Syed Iqbal Ashraf and has been appointed as director on the Board on October 10, 2011. The Board expresses its appreciation for the services rendered by the outgoing directors and welcomes Mr. Amir Shehzad on the Board.

Changes in the Audit Committee

Mr. Amir Shehzad was appointed as member of the Audit Committee on October 21, 2011 in place of Mr. Muhammad Jawaid Iqbal. The statutory composition of the Committee remained intact with this change.

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Board and Audit Committee Meetings and Attendance

During the year under review, five meetings of the Board of Directors and five meetings of the Audit Committee were held from January 01, 2011 to December 31, 2011. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings
Mr. Arif Habib	4	N/A
Mr. Fawad Ahmed Mukhtar	4	N/A
Mr. Fazal Ahmed Sheikh	4	3
Mr. Faisal Ahmed Mukhtar	2	1
Mr. M. Abad Khan	4	4
Mr. Jørgen Nergaard Gøl	2	N/A
Mr. Muhammad Kashif Habib	3	4
Mr. Muhammad Jawaid Iqbal	2	2
Mr. Syed Iqbal Ashraf	2	N/A
Mr. Amir Shehzad	1	-

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

Pattern of Shareholding

The detailed pattern of the shareholding and categories of shareholders of the Company as at December 31, 2011, as required under the listing regulations, have been appended to the Annual Report on page 86.

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 Bought	Shares Sold
Mr. Arif Habib	Chairman	-	55,260,000
Mr. Fawad Ahmed Mukhtar	CEO/Director	-	-
Mr. Fazal Ahmed Sheikh	Director	-	-
Mr. Faisal Ahmed Mukhtar	Director	-	-
Mr. M. Abad Khan	Director	226,000	-
Mr. Muhammad Kashif Habib	Director	-	-
Mr. Jørgen Nergaard Gøl	Director	-	-
Mr. Mohammad Abdul Wahab	CFO	-	-
Mr. Ausaf Ali Qureshi	Company Secretary	-	-
Mrs. Zetun Arif	Spouse of Mr. Arif Habib	-	16,875,000
Mrs. Ambreen Fawad	Spouse of Mr. Fawad Ahmed Mukhtar	2,335,043	-

Financial Highlights

Key operating and financial data of previous years has been summarized on page 23.

Audit Committee

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

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 that will create value for the shareholders. The committee composition and its terms of reference have also been attached with this report.

Corporate and Secretarial Compliance

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

Ethics and Business Practices

As per the Corporate Governance guidelines, the Company has circulated a "Statement of Ethics and Business Practices" for compliance and has also posted the same on the website of the Company. It has been signed by all director and employees of the Company in acknowledgement of their understanding and acceptance of the standard of conduct.

Auditors

M. Yousuf Adil Saleem & Company Chartered Accountants, retiring auditors of the Company, being eligible offer themselves for re-appointment. The Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 9th Annual General Meeting, as auditors of the Company for the year ending December 31, 2012 at a fee to be mutually agreed.

International Roadshows

Your Company continued to enhance its International profile through International Roadshows conducted in the US as well East Asia in support of its American Depository Receipt (ADR - Sponsored Level 1) program. There has been positive feedback and resultantly Bank of America Merill Lynch has agreed to be the market maker for the Company's ADR.

Future Outlook

The imposition of Infrastructure Development Cess on natural gas has forced the fertilizer industry to further increase prices of Urea. Despite some softening in global prices of phosphate the relief in the context of local costs will not be significant. This will burden the farmer further and with weak commodity prices, the demand for fertilizer is expected to remain stagnant. The local industry will continue to face curtailment and closure during the first quarter of the new year. The Government has gone ahead with imports of Urea well above the agriculture sector's requirements further burdening the economy with no relief in prices to the farmer. Hence sales are expected to remain depressed in the first quarter of the year for both Nitrogen and Phosphates. There is likelihood of improvement with the commencement of the Kharif season.

Acknowledgment

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

For and on behalf of Board

Lahore
March 9, 2012

Arif Habib
Chairman

Statement of Compliance
with the Code of Corporate Governance

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

The Company has applied the principles contained in the 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, three executive directors and four 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, including this Company.

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

4. Casual vacancies occurred in the Board during the year 2011 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 and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 2011 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, of whom four are non-executive directors including the chairman of the committee.

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.

Lahore
March 9, 2012

Fawad Ahmed Mukhtar
Chief Executive Officer

Financial Statements

Fatima Fertilizer Company Limited

for the year ended December 31, 2011

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, 2011.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner: Talat Javed
March 09, 2012
Lahore

Auditors' Report To The Members

We have audited the annexed balance sheet of FATIMA FERTILIZER COMPANY LIMITED (the company) as at December 31, 2011 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, 2011 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).

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner: Talat Javed
March 09, 2012
Lahore

Balance Sheet
as at December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,100,000,000 (2010: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
400,000,000 (2010: 400,000,000) preference shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital			
2,000,000,000 (2010: 2,000,000,000) ordinary shares of Rs 10 each	5	20,000,000	20,000,000
400,000,000 (2010: 400,000,000) preference shares of Rs 10 each	6	4,000,000	4,000,000
Share premium	7	790,000	790,000
Accumulated profit/(loss)		3,264,865	(531,220)
		28,054,865	24,258,780
NON CURRENT LIABILITIES			
Long term finance	8	34,457,218	37,446,530
Dividend payable on preference shares	6	1,270,163	603,672
Deferred taxation	9	1,704,264	-
Employee retirement benefits	10	102,754	73,796
		37,534,399	38,123,998
CURRENT LIABILITIES			
Current portion of long term finance	8	3,032,833	-
Short term finance - secured	11	-	316,208
Trade and other payables	12	4,650,956	3,704,173
Accrued finance cost	13	2,837,988	2,989,396
Provision for taxation		236,207	64,483
		10,757,984	7,074,260
CONTINGENCIES & COMMITMENTS	14		
		76,347,248	69,457,038

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

Chief Executive

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	66,827,913	875,984
Capital work in progress	16	1,387,735	64,044,130
Deferred tax asset	17	–	21,914
Long term loans and deposits	18	5,481	16,330
		68,221,129	64,958,358
CURRENT ASSETS			
Stores and spares	19	1,930,679	2,479,249
Stock in trade	20	1,215,014	539,730
Trade debts	21	195,840	256,548
Loans, advances, deposits, prepayments and other receivables	22	945,225	939,864
Cash and bank balances	23	3,839,361	283,289
		8,126,119	4,498,680
		76,347,248	69,457,038

Director

Profit and Loss Account
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales	24	14,833,343	-
Cost of sales	25	(4,781,491)	-
Gross profit		10,051,852	-
Other income	26	133,810	1,746
Administrative expenses	27	376,695	113,866
Distribution cost	28	337,946	-
Other operating expenses	29	320,398	-
Finance cost	30	3,063,055	8,950
		4,098,094	122,816
Profit / (loss) before taxation		6,087,568	(121,070)
Taxation	31	1,970,593	42,569
Profit / (loss) for the year		4,116,975	(163,639)
Earnings / (loss) per share - basic (rupees)	33	2.06	(0.08)
- diluted (rupees)	33	1.85	(0.07)

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

Chief Executive

Director

Statement of Comprehensive Income
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
Profit / (loss) for the year		4,116,975	(163,639)
Other comprehensive income		–	-
Total comprehensive income / (loss) for the year		4,116,975	(163,639)

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

Chief Executive **Director**

Statement of Changes in Equity
for the year ended December 31, 2011

	Ordinary share capital	Preference share capital	Share premium	Accumulated (loss) / profit	Total
			(Rupees in thousand)		
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
Profit for the year	-	-	-	4,116,975	4,116,975
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	4,116,975	4,116,975
Dividend on preference shares	-	-	-	(320,890)	(320,890)
Balance as at December 31, 2011	20,000,000	4,000,000	790,000	3,264,865	28,054,865

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

Chief Executive **Director**

Cash Flow Statement
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated / (used) in operations	37	10,921,854	(323,166)
Finance costs paid		(3,165,837)	(8,950)
Taxes paid		(281,917)	(21,593)
Employee retirement benefits paid		(8,499)	(27,648)
Net cash flow from / (used in) operating activities		7,465,601	(381,357)
Cash flows from investing activities			
Fixed capital expenditure		(385,831)	(3,694,954)
Finance costs paid		(3,311,446)	(5,152,581)
Proceeds from disposal of property, plant and equipment		395	684
Net proceeds from disposal of short term investments		2,233	-
Net decrease / (increase) in long term loans and deposits		27,679	(8,180)
Profit received on saving accounts		30,128	-
Net cash used in investing activities		(3,636,842)	(8,855,031)
Cash flows from financing activities			
Proceeds / advance received against preference shares		-	101,750
Proceeds from share deposit money		-	2,790,000
Cost of issue of share capital		-	(110,369)
Proceeds from long term finance		43,521	6,197,671
(Decrease) / increase in short term finance - net		(316,208)	316,208
Net cash (used in) / from financing activities		(272,687)	9,295,260
Net increase in cash and cash equivalents		3,556,072	58,872
Cash and cash equivalents - at beginning of the year		283,289	224,417
Cash and cash equivalents - at end of the year		3,839,361	283,289

The annexed notes from 1 to 41 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. The Company's shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. Further, on March 09, 2011, the Company has launched American Depository Receipts (ADR) tradable at over the counter (OTC) market at New York Stock Exchange, USA. The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facility of the company is located in Sadiqabad.

During the year, the Company has successfully commenced commercial operations of the production facilities from July 01, 2011.

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 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	**Effective date (accounting period beginning on or after)**
Amendment to IAS 1 - Presentation of Financial Statements	January 1, 2011
IAS 24 - Related Party Disclosures	January 1, 2011
Amendment to IAS 27 - Consolidated and Separate Financial Statements	July 1, 2011
Amendments to IAS 32 - Financial Instruments – Presentation	February 1, 2011
Amendment to IAS 34 - Interim Financial Reporting	January 1, 2011
Amendments to IFRS 3 (2008) - Business Combinations	July 1, 2011
Amendments to IFRS 7 - Financial Instruments – Disclosures	January 1, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2011
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011

2.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
(effective for annual periods beginning on or after 1 July 2012).

The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Amendments to IAS 12 - deferred tax on investment property
(effective for annual periods beginning on or after 1 January 2012).

The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011)
(effective for annual periods beginning on or after 1 January 2013).

The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company does not plan to adopt this change early and the extent of the impact has not been determined.

- Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)
(effective for annual periods beginning on or after 1 July 2011).

The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining
(effective for annual periods beginning on or after 1 January 2013).
The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

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

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements due to not adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

3 Basis of measurement

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, 2011. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 12.5 percent per annum.
- Expected rate of increase in salary level 12.5 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:

- Building	4%
- Plant and machinery	4%
- 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 made available for use, while no depreciation is charged for the month in which the asset is disposed off.

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

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 re-evaluates such designation on a regular basis.

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

Financial assets at fair value through profit or loss

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

Held to maturity

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

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are 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 de-recognized 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

Mark up, 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

2011	2010		2011	2010
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000

The reconciliation of ordinary shares is as follows:

	2011	2010
	(Number of shares)	
Opening balance	2,000,000,000	1,800,000,000
Add: Shares issued during the year	-	200,000,000
Closing balance	2,000,000,000	2,000,000,000

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

Pakarab Fertilizers Limited	490,000,000	819,604,695
Reliance Weaving Mills Limited	5,706,260	10,327,901
Reliance Commodities (Pvt) Limited	161,795,190	153,501,990
Fazal Cloth Mills Limited	38,565,299	32,047,591
Fatima Sugar Mills Limited	210,821,423	139,570,865
Arif Habib Corporation Limited	260,634,203	191,275,719
	1,167,522,375	1,346,328,761

6. Preference share capital

2011	2010		2011	2010
(Number of shares)			(Rupees in thousand)	
400,000,000	400,000,000	Preference shares of Rs 10 each fully paid in cash	4,000,000	4,000,000

The reconciliation of preference shares is as follows:

	(Number of shares)	
Opening balance	400,000,000	-
Add: Shares issued during the year	-	400,000,000
Closing balance	400,000,000	400,000,000

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

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

These are 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 shareholders. The redemption shall only be made out of a Sinking Fund reserve account, to be created out of profits of the Company.

Preference shareholders 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 dividend at 6 months KIBOR plus 3% per annum.

In case the profits in any year are insufficient to pay dividend on the preference shares, the payment of dividends will be deferred and payable in the next year. However, the dividends are not expected to be payable immediately in view of the certain contractual obligations.

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	2011	2010
		(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	22,996,901
Commercial Facility (CF)	8.3	4,496,000	4,496,000
New Facility I (NF I)	8.4	3,562,585	3,519,064
New Facility II (NF II)	8.5	1,919,000	1,919,000
		32,974,486	32,930,965
Unsecured loans from Pakarab Fertilizers Limited (PFL) - the associate:			
Bridge Finance (STFA)	8.6	2,037,500	2,037,500
Term loan	8.7	2,478,065	2,478,065
		4,515,565	4,515,565
		37,490,051	37,446,530
Less: Current portion		3,032,833	–
		34,457,218	37,446,530

8.1 Total outstanding principal in respect of Senior Facility (SF), Commercial Facility (CF) and New Facility (NF) agreements entered into with the consortium of commercial banks / financial institutions is repayable in 14 semi annual installments starting from May 27, 2012.

8.2 Long Term Syndicated Loan (Senior Facility)

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

It carries mark up at the rate of 6 months 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 mark up charged during the year ranged from 14.92% to 17.07% per annum (2010: 15.59% to 16.71% 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 0.491 per Rs 1,000 per diem or part thereof on the balances unpaid.

8.3 Commercial Facility (CF)

This facility has been obtained from a consortium of commercial banks / financial institutions led by National bank of Pakistan, against a sanctioned limit of Rs 4,500 million to finance the project cost.

It carries mark up at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. The effective rate of mark up charged during the year ranged from 15.67% to 17.47% per annum (2010: 15.99% to 17.11% 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 0.512 per Rs 1,000 per diem or part thereof on the balances unpaid.

8.4 New Facility I (NF I)

This facility has been obtained from various commercial banks / financial institutions individually, aggregating to Rs 3,581 million.

It carries mark up at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. The effective rate of mark up charged during the year ranged from 15.67% to 17.47% per annum (2010: 15.99% to 17.11% per annum).

8.5 New Facility II (NF II)

This facility has been obtained from various commercial banks / financial institutions individually, against the sanctioned limit aggregating to Rs 1,919 million.

It carries mark up at the rate of 6 months KIBOR plus 3.75% per annum with no floor or cap. The effective rate of mark up charged during the year ranged from 15.67% to 17.47% per annum (2010: 15.99% to 17.11% per annum).

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 the Company held by 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.

Effective rate of markup charged during the year on outstanding balance ranged from 15.37% to 16.26% per annum (2010: 14.93% to 15.37% 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. Effective rate of markup charged during the year was 15.40% per annum (2010: 14.39% per annum).

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

8.8 The aggregate unavailed long term financing facilities amount to Rs 88.014 million (2010: Rs 131.535 million).

	Note	2011	2010
		(Rupees in thousand)	
9 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		13,162,832	-
Deductible temporary difference:			
Carry forward tax depreciation losses		(11,124,032)	-
Provision for retirement benefits		(35,964)	-
Tax credit u/s 113c		(298,572)	-
		(11,458,568)	-
		1,704,264	-
10 Employee retirement benefits			
Gratuity	10.1	60,833	42,467
Accumulating compensated absences	10.2	41,921	31,329
		102,754	73,796
10.1 Gratuity			
a) Amount recognized in the balance sheet			
Present value of defined benefit obligation		62,734	41,441
Benefits due but not paid to outgoing employees		878	-
Unrecognized actuarial gains		(2,779)	1,026
Net liability at the end of the year		60,833	42,467
b) Movement in liability			
Net liability at the beginning of the year		42,467	30,985
Charge for the year		24,447	18,087
Benefits paid during the year		(6,081)	(6,605)
Net liability at the end of the year		60,833	42,467
c) Charge for the year			
Current service cost		19,060	14,631
Interest cost		5,387	3,456
		24,447	18,087
d) Movement in the present value of defined benefit obligation			
Defined benefit obligation at beginning of the year		41,441	28,801
Current service cost		19,060	14,631
Interest cost		5,387	3,456
Benefits due but not paid to outgoing employees		(878)	-
Benefit paid during the year		(6,081)	(6,605)
Actuarial loss recognized		3,805	1,158
Defined benefit obligation at end of the year		62,734	41,441
e) The principal assumptions used in the actuarial valuation are as follows: -			
Discount rate		12.5%	13 %
Expected rate of increase per annum in future salaries		12.5%	13 %
Expected average remaining life		6 years	6 years

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

	2011	2010	2009	2008	2007
			(Rupees in thousand)		
Present value of defined benefit obligation	62,734	41,441	28,801	17,432	7,951
			Percentage		
Experience adjustment on obligation	-9%	–3%	5%	0%	11%

	Note	2011	2010
		(Rupees in thousand)	
10.2 Accumulating compensated absences			
Opening balance		31,329	23,508
Add: Provision for the year		13,010	13,284
		44,339	36,792
Less: Payments made during the year		2,418	5,463
Net liability at the end of the year		41,921	31,329
11 Short term finance - secured			
Cash Finance	11.1	-	113,461
Running Finance	11.2	-	202,747
		-	316,208

11.1 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods and by personal guarantees of sponsoring directors.

The facilities carry mark up ranging from 14.67% to 16.03% (2010: 14.09% to 15.39%) per annum.

11.2 These facilities have been obtained from various banks for working capital requirements, and are secured by Pari Passu charge of Rs 3,403 million (2010: Rs 2,736 million) on present and future current assets.

The facilities carry mark up ranging from 13.92% to 15.79% (2010: 14.31% to 15.07%) per annum.

11.3 The aggregate unavailed short term borrowing facilities amount to Rs 3,300 million (2010: Rs 2,184 million).

	Note	2011	2010
		(Rupees in thousand)	
12 Trade and other payables			
Creditors		765,877	1,273,171
Advances from customers		2,217,585	1,527,584
Accrued liabilities		419,843	228,309
Withholding tax payable		217,188	286,805
Sales tax payable		351,987	-
Workers' profit participation fund		320,398	-
Retention money payable		342,899	380,418
Provident fund payable	12.1	1,037	4,073
Others	12.2	14,142	3,813
		4,650,956	3,704,173

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

12.2 This includes Rs 2.661 million payable to associated company under normal course of business.

	Note	2011	2010
13 Accrued finance cost			
Markup accrued – secured		1,890,932	2,749,705
Markup payable on unsecured loans from related party	8.6 & 8.7	947,056	239,691
		2,837,988	2,989,396

14 Contingencies and commitments

14.1 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 amount to Rs 13.935 million (2010: Rs 23.516 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.

14.2 Commitments in respect of

Contracts for capital expenditure Rs 35.253 million (2010: Rs 774.559 million).

Contracts for other than capital expenditure Rs 636.699 million (2010: Rs 728.802 million).

Future payments under non-cancellable operating leases payable not later than one year amount to Rs 4.630 million (2010 : Rs 9.286 million).

15. Property, plant and equipment

2011

	Cost as at December 31, 2010	Additions/ (deletions) during the year	Transfers Net	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge / (deletions) during the year	Transfers Net	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
	(Rupees in thousand)								
Freehold land	419,521	13,919	-	433,440	-	-	-	-	433,440
Building	-	2,912,597	-	2,912,597	-	54,140	-	54,140	2,858,457
Plant and machinery	-	63,642,350	-	63,642,350	-	612,727	-	612,727	63,029,623
Furniture and fixtures	26,565	8,316	-	34,881	6,246	3,005	-	9,251	25,630
Office equipment	7,410	2,681	-	10,037	1,825	895	-	2,709	7,328
		(54)	-			(11)	-		
Electrical installations and appliances	434,213	83,042	-	517,255	66,779	49,785	-	116,564	400,691
Computers	41,933	6,739	-	48,371	25,625	8,981	-	34,418	13,953
		(301)	-			(188)	-		
Vehicles	83,755	30,667	-	112,773	36,938	18,693	-	53,982	58,791
		(1,649)				(1,649)	-		
	1,013,397	66,700,311	-	67,711,704	137,413	748,226	-	883,791	66,827,913
		(2,004)				(1,848)			

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)			

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

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Unallocated expenditure		37,215	45,210
Cost of sales	25	697,987	-
Administrative expenses	27	13,024	19,518
		748,226	64,728

15.2 Disposal

	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain
Assets having book value below Rs 50,000	2,005	1,848	157	395	238
2011	2,005	1,848	157	395	238
2010	2,295	1,805	490	684	194

16. Capital work in progress

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
- Civil works		152,632	4,803,154
- Plant and machinery and catalysts		996,052	44,244,582
- Unallocated expenditure	16.1	-	17,450,438
- Trial run results	16.2	-	(2,761,527)
- Advances	16.3	239,051	307,483
		1,387,735	64,044,130

16.1 Unallocated expenditure

	Note	2011	2010
Salaries, wages and other benefits		1,337,936	1,316,932
Utilities		1,127,158	1,126,214
Travelling and conveyance		154,367	151,910
Legal and professional charges		54,924	54,672
Commitment charges - long term finance		90,038	90,038
Loan arrangement, agency and monitoring fee		610,434	495,014
Technical consultancy		66,811	65,288
Project management services		658,435	102,069
Project insurance		501,942	460,326
Depreciation on property, plant and equipment		128,405	91,190
Mark up on :			
- long term finance		15,944,204	12,471,136
- short term finance		225,637	109,387
- contribution by sponsors and associated undertakings		367,860	367,860
- temporary loans from related parties		20,797	1,694
	16.1.2	16,558,498	12,950,077
General		291,563	546,708
Capitalized in property, plant and machinery		(21,580,511)	-
		-	17,450,438

16.1.1 Unallocated expenditure has been allocated to civil works and plant and machinery upon commencement of commercial operations from July 01, 2011.

16.1.2 The effective rate used to determine the amount of borrowing costs eligible for capitalization is 16.69% (2010: 15.88%)

	Note	2011	2010
		(Rupees in thousand)	
16.2 Trial run gain			
Trial run sales		15,473,459	7,174,756
Less: Sale incentive		182,214	74,597
Discount		25,065	17,785
		207,279	92,382
		15,266,180	7,082,374
Trial run costs			
Raw material consumed		693,968	300,534
Feed Gas		1,307,970	839,359
Fuel and power		3,177,626	2,070,960
Salaries and wages and other benefits	16.2.1	1,209,822	632,196
Stores and spares		548,971	292,537
Catalyst and chemicals		183,993	91,165
Repairs and maintenance		51,038	14,361
Travelling and conveyance		107,717	58,668
Printing and stationary		13,178	7,244
Transportation		773,284	363,564
Insurance		78,079	-
Toll manufacturing charges		177,925	111,335
Others		166,066	72,641
		8,489,637	4,854,564
Add opening stock		-	-
Less: closing stock		114,154	533,717
		(114,154)	(533,717)
Trial run gain		6,890,697	2,761,527
Capitalized in property, plant and machinery		(6,890,697)	-
		-	2,761,527

16.2.1 These include post employment employee benefits amounting to Rs 12.450 million.

		2011	2010
16.3 Advances			
- Freehold land		80,992	17,800
- Civil works		8,158	130,181
- Plant and machinery		33,414	49,780
- ERP Software		16,487	9,722
- Others		100,000	100,000
		239,051	307,483

17 Deferred tax asset

		2011	2010
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

		Note	2011	2010
			(Rupees in thousand)	
18.	**Long term loans and deposits**			
	Loan to employees - unsecured	18.1	15,929	30,837
	Loan to others - unsecured		3,959	16,843
	Security deposits		5,481	5,368
			25,369	53,048
	Less: receivable within one year		(19,888)	(36,718)
			5,481	16,330

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

		2011	2010
		(Rupees in thousand)	
19	**Stores and spares**		
	Stores	280,489	421,074
	Spares	780,296	290,974
	Catalyst and chemicals {including in transit Rs 645.5 million (2010: Rs Nil)}	869,894	1,767,201
		1,930,679	2,479,249

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

		Note	2011	2010
			(Rupees in thousand)	
20	**Stock in trade**			
	Raw material {including in transit Rs 256.3 million (2010: Rs Nil)}		426,660	-
	Packing material		41,211	6,013
			467,871	6,013
	Mid products			
	Ammonia		13,147	18,793
	Nitric Acid		14,829	26,461
			27,976	45,254
	Finished goods			
	Nitro Phosphate {including in transit Rs 1.5 million (2010: Rs Nil)}		718,220	-
	Urea		774	184,643
	Calcium Ammonium Nitrate		173	303,820
			719,167	488,463
			1,215,014	539,730
21	**Trade debts**			
	Considered good:			
	– Secured (by way of bank guarantees)	21.1	195,840	52,169
	– Unsecured		-	204,379
			195,840	256,548

21.1 These are in the normal course of business and certain debts carry interest rate ranging from 1.26% to 13.43% (2010: 1.74% to 8.6%) per annum.

		Note	2011	2010
			(Rupees in thousand)	
22.	**Loans, advances, deposits, prepayments and other receivables**			
	Current portion of long term loans - unsecured		19,888	36,718
	Advances - considered good			
	- to employees		1,915	13,655
	- to suppliers		313,296	508,289
			315,211	521,944
	Prepayments		194,115	22,889
	Margin deposits held by bank against letters of credit		52,615	153,901
	Recoverable from Government			
	- Sales tax	22.1	-	96,643
	- Income tax recoverable		285,975	76,749
			285,975	173,392
	Other receivables - considered good	22.2	77,421	31,020
			945,225	939,864

22.1 The Company is in the process of filing an application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied/paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011. Based on the advise of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that the exemption would be allowed to the Company. Consequently, no provision has been recognised in these financial statements for the abovementioned amount.

22.2 This include interest free receivable amounting to Rs 39.178 million (2010: Rs 8.296) million from related party under normal course of business of the Company.

		Note	2011	2010
			(Rupees in thousand)	
23	**Cash and bank balances**			
	Cash at banks			
	- saving and deposit accounts	23.1	2,946,948	2,785
	- current accounts		891,293	279,334
	Cash in hand		1,120	1,170
			3,839,361	283,289

23.1 The balances in saving and deposit accounts bear mark up ranging from 5% to 11.6% (2010: 10%) per annum.

		Note	2011	2010
			(Rupees in thousand)	
24	**Sales**			
	Fertilizer products		14,846,304	-
	Less: sales incentives		12,961	-
			14,833,343	-

	Note	2011	2010
		(Rupees in thousand)	
25 Cost of Sales			
Raw material consumed		2,036,539	-
Packing material consumed		293,041	-
Salaries, wages and other benefits	25.1	439,481	-
Fuel and power		1,198,268	-
Chemicals and catalyst consumed		83,807	-
Stores and spares consumed		156,695	-
Technical assistance		80,324	-
Repair and maintenance		102,948	-
Insurance		137,325	-
Travelling and conveyance		34,233	-
Equipment rental		55,321	-
Vehicle running and maintenance		21,115	-
Depreciation	15.1	697,987	-
Toll manufacturing cost		42,506	-
Others		34,890	-
Manufacturing cost		5,414,480	-
Mid products:			
Stock transferred from trial run		22,875	-
Closing stock		(27,975)	-
		(5,100)	-
Cost of goods manufactured		5,409,380	-
Finished goods:			
Stock transferred from trial run		91,279	-
Closing stock		(719,168)	-
		(627,889)	-
		4,781,491	-

25.1 These include post employment employee benefits amounting to Rs 18.328 million.

	Note	2011	2010
26 Other income			
Income from financial assets			
Profit on saving accounts		62,577	-
Gain on sale of short term investment		2,233	-
Income from non financial assets			
Scrap sales		66,009	-
Gain on disposal of assets	15.2	238	260
Insurance claim received		-	1,486
Others		2,753	-
		133,810	1,746

	Note	2011	2010
		(Rupees in thousand)	

27 Administrative Expenses

	Note	2011	2010
Salaries, wages and other benefits	27.1	204,666	35,749
Travelling and conveyance		23,013	7,278
Vehicles' running and maintenance		9,186	1,227
Insurance expenses		2,072	890
Communication and postage		10,874	6,662
Printing and stationery		5,452	5,146
Repair and maintenance		15,879	-
Rent, rates and taxes	27.2	9,554	12,636
Fees and subscription		2,713	3,100
Auditors' remuneration	27.3	2,559	2,271
Entertainment expenses		10,007	373
Legal and professional charges		17,812	6,636
Utilities		8,854	332
Depreciation	15.1	13,024	19,518
Assets written off		-	66
Charity and donation	27.4	24,239	2,073
Others		16,791	9,909
		376,695	113,866

27.1 These include post employment employee benefits amounting to Rs 6.568 million.

27.2 Rent, rates and taxes include operating lease rentals.

27.3 Auditors' remuneration

	2011	2010
Annual audit	1,500	1,200
Half yearly review / audit	375	300
Other certification	325	210
Out of pocket expenses	359	561
	2,559	2,271

27.4 This includes:

- Rs 12.5 million (2010: Rs Nil) to Karachi Education Initiative (KEI), a not for profit entity registered under Section 42 of the Companies Ordinance. The chairman of the Company, Mr. Arif Habib is on the Board of Directors of KEI; and
- Rs 3.675 million (2010: Nil) to Mian Mukhtar A. Sheikh Trust. Three directors of the Company Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar are trustees in the trust.

	Note	2011	2010
		(Rupees in thousand)	

28 Distribution Cost

	2011	2010
Salaries, wages and other benefits	67,277	-
Printing and stationery	2,821	-
Rent, rates and taxes	5,705	-
Advertisement and sales promotion	26,020	-
Transportation and freight	233,008	-
Others	3,115	-
	337,946	-

		2011	2010
		(Rupees in thousand)	
29	**Other operating expenses**		
	Workers profit participation fund	320,398	-
		320,398	-
30	**Finance cost**		
	Markup on long term loans	2,644,438	-
	Markup on loans from associated company	341,558	-
	Markup on short term loans	64,841	-
	Interest on provident fund	825	5,146
	Bank charges and others	11,393	3,804
		3,063,055	8,950
31	**Taxation**		
	Current	243,659	64,483
	Prior	756	-
		244,415	64,483
	Deferred	1,726,178	(21,914)
		1,970,593	42,569

31.1 Assessments for tax years upto 2010 are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

31.2 Tax charge reconciliation

	(%)
Numerical reconciliation between the average tax rate and the applicable tax rate:	
Applicable tax rate	35.00
Tax effect of amounts that are:	
Effect of income tax surcharge	0.17
Effect of brought forward losses	(3.52)
Others	0.72
	(2.63)
Average effective tax rate charged to profit and loss account	32.37

32 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 36. Other significant transactions with related parties are as follows:

		2011	2010
		(Rupees in thousand)	
Relationship with the Company	**Nature of Transactions**		
Associated undertakings			
	Issue of preference share capital	-	4,000,000
	Long term finance obtained	-	2,319,245
	Toll manufacturing	86,351	111,335

		2011	2010
		(Rupees in thousand)	
	Rent, rates and taxes	-	7,952
	Purchase of fertilizer	-	4,693
	Miscellaneous expenses	257,353	3,538
	Sale of fertilizer	576,435	323,620
	Purchase of raw material	340,391	-
	Finance cost accrued	707,365	512,042
	Dividend on preference shares	666,491	603,672
	Disposal of assets	247	-
	Sale of stores and spares	57,197	8,296
Retirement benefit plans			
	Retirement benefit expense	57,835	46,951

33 Earnings / (Loss) per share

	2011	2010
	(Rupees in thousand)	
The calculation of the basic and diluted earnings / (loss) per share is based on the following data:		
Profit / (loss)		
Profit / (loss) for the purpose of basic and diluted earnings / (loss) per share	4,116,975	(163,639)
Weighted average number of shares	(No. of shares)	
Ordinary shares for the purposes of basic earnings / (loss) per share	2,000,000,000	1,968,767,123
Dilutive effect of potential ordinary shares on conversion of preference shares	219,780,220	483,461,087
Ordinary shares for the purposes of diluted earnings / (loss) per share	2,219,780,220	2,452,228,210

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

	(Rupees)	
Basic earnings / (loss) per share	2.06	(0.08)
Diluted earnings / (loss) per share	1.85	(0.07)

34. Capacity and production

	(Metric ton)	
Urea		
Rated production capacity	500,000	394,126
Actual production	426,902	322,756
CAN		
Rated production capacity	420,000	296,877
Actual production	355,308	175,619
NP		
Rated production capacity	243,616	-
Actual production	142,661	-

35 Financial Risk Management

35.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), 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:

	2011	2010
	(In thousand)	
Cash at banks – USD	3	4
Trade and other payables – USD	(194)	(6,382)
Net exposure – USD	(191)	(6,378)
Cash at banks – Euro	1	1
Trade and other payables – Euro	(5,268)	(1,171)
Net exposure – Euro	(5,267)	(1,170)
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	87.85	85.21
Reporting date rate	89.80	85.90
Rupees per Euro		
Average rate	115.21	113.52
Reporting date rate	116.22	114.19
Rupees per GBP		
Average rate	135.53	132.93
Reporting date rate	138.40	132.65

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 profit after taxation for the year would have been Rs 31,464 thousands (2010: Rs 35,563 thousands), 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:

	2011	2010
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at bank – saving accounts	2,946,948	2,785
Floating rate instruments		
Financial assets		
Trade debt - secured	195,840	52,169
Financial liabilities		
Preference shares	4,000,000	4,000,000
Long term finance	37,490,051	37,446,530
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

If the markup rate on long term loans at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 207,450 in thousands (2010: Rs Nil), respectively higher / lower.

(b) Credit risk

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

	2011	2010
	(Rupees in thousand)	
Long term loans and deposits	5,481	36,205
Trade debts	195,840	204,379
Loans, advances, deposits and other receivables	77,421	29,020
Bank balances	3,838,241	282,119
	4,116,983	551,723
Aging analysis of trade debts		
Less than one year	195,840	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			2011	2010
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AA	PACRA	604,957	213,389
Askari Commercial Bank	A1+	AA	PACRA	1,377	1,095
Al Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	101	N/A
Bank Alfalah Limited	A1+	AA	PACRA	18,538	11
BankIslami Pakistan Limited	A1	A	PACRA	20,090	10
Faysal Bank Limited	A1+	AA	PACRA	141,057	1,476
Habib Bank Limited	A1+	AA	JCR-VIS	231,368	4,341
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	103,858	330
MCB Bank Limited	A1+	AA+	PACRA	76	1,795
Meezan Bank Limited	A1	AA-	JCR-VIS	683	647
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,831,816	9,164
Silk Bank Limited	A2	A-	JCR-VIS	47	46
Soneri Bank Limited	A1+	AA-	PACRA	10,666	20
Summit Bank Limited	A	A-2	JCR-VIS	369,456	38,952
United Bank Limited	A1+	AA+	JCR-VIS	203,881	9,078
The Bank of Punjab	A1+	AA	PACRA	200,270	1,765
Sindh Bank Limited	AA-	A-1	JCR-VIS	100,000	N/A
				3,838,241	282,119

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, 2011, the Company has Rs 3,388 million (2010: Rs 2,315.5 million) unutilized borrowing limits from financial institutions and Rs 3,839 million (2010: 283 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at December 31, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	37,490,051	3,032,833	23,963,852	10,493,366
Dividend payable on preference shares	1,270,163	-	1,270,163	-
Trade and other payables	4,650,956	4,650,956	-	-
Accrued finance cost	2,837,988	2,837,988	-	-
	46,249,158	10,521,777	25,234,015	10,493,366

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)		
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	-	-
	45,059,979	7,009,777	16,021,337	22,028,865

35.2 Fair values of financial assets and liabilities

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

	2011	2010
	(Rupees in thousand)	
35.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term loans and deposits	5,481	16,330
Loans, advances, deposits and other receivables	390,717	531,013
Trade debts	195,840	256,548
Cash and bank balances	3,838,241	283,289
	4,430,279	1,087,180
Financial liabilities as per balance sheet		
Long term loans	37,490,051	37,446,530
Dividend payable on preference shares	1,270,163	603,672
Short term finance - secured	-	316,208
Trade and other payables	4,650,956	3,704,173
Accrued finance cost	2,837,988	2,989,396
	46,249,158	45,059,979

35.4 Capital risk management

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

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

36. Remuneration of directors and key management personnel

36.1 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	
	2011	2010	2011	2010
	(Rupees in thousand)			
Short term employee benefits				
Managerial Remuneration	-	2,040	151,518	102,320
Housing	-	929	68,183	46,044
Utilities	-	213	15,152	10,232
Project Allowance & site allowance	-	395	47,262	35,812
LFA & Bonus	-	-	47,385	16,049
Others	-	-	23,219	14,600
	-	3,577	352,719	225,057
Retirement benefits				
Contribution to provident fund and gratuity	-	21	30,314	25,555
Accumulating compensated absences	-	-	2,957	5,592
	-	3,598	385,990	256,204
Number of persons	-	1	160	90

36.2 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.

36.3 No full time director is serving on the board of directors.

		2011	2010
		(Rupees in thousand)	
37.	**Cash generated from / (used in) operations**		
	Profit/(loss) before tax	6,087,568	(121,070)
	Adjustments for :		
	Retirement benefits accrued	25,007	1,679
	Depreciation on property, plant and equipment	711,011	19,518
	Finance costs	3,063,055	8,950
	Assets written off	-	66
	Gain on sale of short term investment	(2,233)	-
	Profit on bank deposits	(62,577)	-
	Gain on disposal of property, plant and equipment	(238)	(260)
		3,734,025	29,953
	Operating cash flows before working capital changes	9,821,593	(91,117)
	Effect on cash flow due to working capital changes		
	Decrease / (increase) in stores and spares	548,570	(1,126,282)
	Increase in stock in trade	(675,284)	(535,825)
	Decrease / (increase) in trade debts	60,708	(256,548)
	Decrease / (increase) in loans, advances, deposits, prepayments and other receivables	219,484	(69,033)
	Increase in creditors, accrued and other liabilities	946,783	1,755,639
		1,100,261	(232,049)
		10,921,854	(323,166)

38. Events after the balance sheet date

The Board of Directors in its Meeting held on March 09, 2012 proposed a final dividend of Rs 1.50 per share for the year ended December 31, 2011, amounting to Rs 3 billion for approval of the members at the Annual General Meeting. These financial statements do not reflect these appropriations and the proposed dividend payable.

In order to comply with the covenants of loan agreement with lenders, Sponsors have offered to delay the payment of dividend to them on Ordinary Shares amounting to Rs 2.7 billion approximately and the payment of preference dividend amounting to Rs 1.27 billion. However, public shareholders will be paid dividend amounting to Rs 300 million approximately in time. Further, the Company has planned to repay loans amounting to Rs 10 billion due to Banking Companies / Financial Institutions as mentioned in note 8 from its own resources and from refinancing during the next financial year.

39. Reclassification

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant reclassifications are as follows:

From	To	Reason	Rupees in thousand
Stores	Packing material	For better presentation	3,905
Stores	Catalyst and chemicals	For better presentation	796
Stores	Spares	For better presentation	9,138
CWIP civil works	Stores	For better presentation	214,074
Creditors	Accrued liabilities	For better presentation	169,838

40. Date of authorization for issue

These financial statements have been authorized for issue on March 09, 2012 by the Board of Directors of the Company.

41. General

Figures have been rounded off to nearest rupees in thousand.

Chief Executive | **Director**

Pattern of Shareholding

as at December 31, 2011

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
2953	1	100	118541	0.0059
6144	101	500	2296760	0.1148
1874	501	1000	1609949	0.0805
2512	1001	5000	6604470	0.3302
764	5001	10000	5930042	0.2965
266	10001	15000	3374213	0.1687
158	15001	20000	2872702	0.1436
113	20001	25000	2627687	0.1314
77	25001	30000	2178624	0.1089
37	30001	35000	1225054	0.0613
38	35001	40000	1462894	0.0731
28	40001	45000	1195276	0.0598
64	45001	50000	3179506	0.1590
10	50001	55000	526873	0.0263
21	55001	60000	1225031	0.0613
14	60001	65000	876479	0.0438
14	65001	70000	948831	0.0474
17	70001	75000	1246869	0.0623
13	75001	80000	1017755	0.0509
7	80001	85000	580621	0.0290
11	85001	90000	972694	0.0486
4	90001	95000	371150	0.0186
26	95001	100000	2591548	0.1296
9	100001	105000	924430	0.0462
6	105001	110000	645959	0.0323
8	110001	115000	908156	0.0454
3	115001	120000	359500	0.0180
4	120001	125000	495170	0.0248
1	125001	130000	128750	0.0064
4	130001	135000	534000	0.0267
4	135001	140000	549619	0.0275
1	140001	145000	142500	0.0071
11	145001	150000	1643300	0.0822
2	150001	155000	302783	0.0151
2	155001	160000	315000	0.0158
2	165001	170000	336684	0.0168
2	170001	175000	345333	0.0173
2	180001	185000	365438	0.0183
3	185001	190000	556751	0.0278
1	190001	195000	194000	0.0097
10	195001	200000	1995780	0.0998
2	200001	205000	404750	0.0202
1	215001	220000	220000	0.0110
3	220001	225000	668976	0.0334
2	235001	240000	472902	0.0236
2	245001	250000	500000	0.0250
1	250001	255000	251000	0.0126
1	260001	265000	263931	0.0132
1	270001	275000	272923	0.0136
1	275001	280000	280000	0.0140
1	285001	290000	290000	0.0145
1	290001	295000	294500	0.0147
5	295001	300000	1500000	0.0750

Pattern of Shareholding
as at December 31, 2011

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
2	300001	305000	608658	0.0304
1	325001	330000	326975	0.0163
3	330001	335000	998619	0.0499
2	345001	350000	696500	0.0348
1	350001	355000	351807	0.0176
2	360001	365000	723894	0.0362
1	370001	375000	373642	0.0187
1	380001	385000	385000	0.0192
1	385001	390000	385674	0.0193
2	395001	400000	800000	0.0400
2	415001	420000	837856	0.0419
1	430001	435000	434000	0.0217
2	445001	450000	898338	0.0449
1	450001	455000	454318	0.0227
2	495001	500000	1000000	0.0500
1	530001	535000	533265	0.0267
1	535001	540000	539154	0.0270
3	545001	550000	1650000	0.0825
1	570001	575000	571685	0.0286
1	575001	580000	577000	0.0288
1	585001	590000	587500	0.0294
4	595001	600000	2395500	0.1198
1	670001	675000	675000	0.0338
2	685001	690000	1374896	0.0687
1	695001	700000	700000	0.0350
1	705001	710000	705001	0.0352
1	730001	735000	732000	0.0366
1	745001	750000	750000	0.0375
2	750001	755000	1504072	0.0752
2	760001	765000	1526554	0.0763
2	795001	800000	1600000	0.0800
1	910001	915000	910262	0.0455
1	945001	950000	950000	0.0475
2	980001	985000	1961561	0.0981
2	995001	1000000	2000000	0.1000
1	1010001	1015000	1010735	0.0505
1	1095001	1100000	1095270	0.0548
1	1125001	1130000	1129446	0.0565
1	1160001	1165000	1160704	0.0580
1	1195001	1200000	1196283	0.0598
2	1245001	1250000	2500000	0.1250
1	1345001	1350000	1349050	0.0675
1	1630001	1635000	1634499	0.0817
4	2015001	2020000	8060860	0.4030
1	2075001	2080000	2075454	0.1038
1	2375001	2380000	2379793	0.1190
1	2495001	2500000	2500000	0.1250
1	2980001	2985000	2981177	0.1491
1	3205001	3210000	3208685	0.1604
1	3405001	3410000	3405900	0.1703
1	3630001	3635000	3630806	0.1815
1	3920001	3925000	3924459	0.1962
1	4030001	4035000	4030430	0.2015
1	4040001	4045000	4040430	0.2020

Pattern of Shareholding

as at December 31, 2011

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	4045001	4050000	4050000	0.2025
1	4760001	4765000	4760085	0.2380
1	4820001	4825000	4822260	0.2411
1	5115001	5120000	5116285	0.2558
3	5155001	5160000	15471618	0.7736
1	5295001	5300000	5299743	0.2650
2	5355001	5360000	10718543	0.5359
4	5370001	5375000	21495628	1.0748
1	5655001	5660000	5658075	0.2829
1	6000001	6005000	6004500	0.3002
1	6475001	6480000	6475298	0.3238
1	7045001	7050000	7047219	0.3524
1	7395001	7400000	7396229	0.3698
2	7735001	7740000	15471618	0.7736
1	8325001	8330000	8325626	0.4163
1	8800001	8805000	8804951	0.4402
1	9780001	9785000	9781344	0.4891
1	9995001	10000000	9998340	0.4999
1	10220001	10225000	10220316	0.5110
2	10375001	10380000	20758448	1.0379
2	10700001	10705000	21407885	1.0704
1	13605001	13610000	13610000	0.6805
1	14095001	14100000	14098076	0.7049
1	15350001	15355000	15351172	0.7676
1	15470001	15475000	15471618	0.7736
1	16855001	16860000	16855280	0.8428
1	18120001	18125000	18122559	0.9061
1	18810001	18815000	18810036	0.9405
1	20315001	20320000	20319915	1.0160
1	21000001	21005000	21001729	1.0501
1	23210001	23215000	23214127	1.1607
1	32910001	32915000	32913356	1.6457
1	36810001	36815000	36810995	1.8406
1	38095001	38100000	38100000	1.9050
1	39510001	39515000	39512487	1.9756
1	39995001	40000000	40000000	2.0000
1	41160001	41165000	41163375	2.0582
1	46605001	46610000	46605769	2.3303
1	47190001	47195000	47192397	2.3596
1	48210001	48215000	48213222	2.4107
1	49995001	50000000	50000000	2.5000
1	84275001	84280000	84276587	4.2138
1	124495001	124500000	124500000	6.2250
1	126540001	126545000	126544836	6.3272
1	128130001	128135000	128131834	6.4066
1	136065001	136070000	136068203	6.8034
1	449995001	450000000	450000000	22.5000
15395	**Company Total**		**2000000000**	**100.0000**

Pattern of Shareholding

as at December 31, 2011

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	482,892,622	24.14
Associated Companies, Undertakings and Related Parties	1,167,522,375	58.38
NIT and ICP	6,525,387	0.33
Banks, Development Financial Institutions, Non Banking Financial Institutions	87,287,280	4.36
Insurance Companies	545,408	0.03
Modarabas and Mutual Funds	26,464,835	1.32
General Public		
a. Local	179,033,331	8.95
b. Foreign	2,053,525	0.10
Foreign Companies	5,341,856	0.27
Others	42,333,381	2.12
	2,000,000,000	**100.00**

Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2011	Shares Held
1. Associated Companies, Undertakings and Related Parties	
Pakarab Fertilizers Limited	490,000,000
Reliance Weaving Mills Limited	5,706,260
Reliance Commodities (Pvt) Limited	161,795,190
Fazal Cloth Mills Limited	38,565,299
Fatima Sugar Mills Limited	210,821,423
Arif Habib Corporation Limited	260,634,203
2. NIT & ICP	
Investment Corporation of Pakistan	1,277
National Bank of Pakistan-Trustee Department NI(T)U Fund	6,475,298
Natioanl Investment Trust Limited	48,812
3. Directors, CEO and their Spouse and Minor Children	
Mr. Arif Habib - Chairman	124,422,348
Mr. Fawad Ahmed Mukhtar - CEO	59,285,934
Mr. Fazal Ahmed Shekih	63,507,749
Mr. Faisal Ahmed Mukhtar	87,766,821
Mr. Jørgen Nergaard Gøl	5,000
Mr. Muhammad Kashif Habib	13,749
Mr. M. Abad Khan	600,500
Mrs. Zetun Arif	72,187,724
Mrs. Ambreen Fawad	10,377,406
Mrs. Fatima Fazal	56,249
Mrs. Farah Faisal	45,000
Miss Meraj Fatima	9,404,337
Mr. Asad Muhammad Sheikh	16,540,760
Mr. Muhammad Mukhtar Sheikh	23,207,427
Mr. Ibrahim Mukhtar	5,157,206
Mr. Mohid Muhammad Ahmed	5,157,206
Mr. Muhammad Fazeel Mukhtar	5,157,206
4. Executives	2,041,421
5. Public Sector Companies and Corporations	-
6. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	114,297,523
7. Shareholders holding ten percent or more voting interest	
Pakarab Fertilizers Limited	490,000,000
Arif Habib Corporation Limited	260,634,203
Fatima Sugar Mills Limited	210,821,423

Financial Calendar

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

Annual General Meeting	April 28, 2012
1st Quarter ending March 31, 2012	Third week of April, 2012
2nd Quarter ending June 30, 2012	Third week of August, 2012
3rd Quarter ending September 30, 2012	Third week of October, 2012
Year ending December 31, 2012	Last week of January, 2013

Form of Proxy

9th 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 9th Annual General Meeting of the Company to be held on Saturday, April 28, 2012 and / or any adjournment thereof.

As witness my/our hand/seal this ______________________ day of ____________________ April 2012.

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.


SEWING MACHINE

www.fatima-group.com

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