ANNUAL 2013 REPORT

Pakarab Fertilizers Limited

Contents

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

Our Vision and Mission

Vision

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

Mission

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

Code of Conduct

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

Pakarab Fertilizers 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.

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh
Mr. Nasim Beg
Mr. Faisal Ahmed Mukhtar
Mr. Rehman Naseem
Mr. Abdus Samad
Mr. Muhammad Kashif Habib

Audit Committee

Mr. Nasim Beg
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Rehman Naseem
Member

Mr. Muhammad Kashif Habib
Member

Human Resource and Remuneration Committee

Mr. Nasim Beg
Chairman

Mr. Abdus Samad
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Rehman Naseem
Member

Chief Financial Officer

Mr. Arif Hamid Dar

Company Secretary

Mr. Ausaf Ali Qureshi

Key Management

Mr. M. Abad Khan
Advisor to CEO

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Muhammad Zahir
Director Marketing

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Farrukh Iqbal Qureshi
General Manager Manufacturing

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Fuad Imran Khan
Chief Information Officer

Mr. Javed Akbar
Head of Procurement

Brig (R) Muhammad Ali Asif Sirhindi
General Manager Administrative Services

Legal Advisors

M/s. Chima & Ibrahim
Advocates

1-A/245, Tufail Road,
Lahore Cantt.

Auditors

A. F. Ferguson & Co.,
Chartered Accountants

23-C, Aziz Avenue,
Canal Bank, Gulberg V,
Lahore-54660.
Tel: 042 35715864-71
Fax: 042 35715872

Bankers

Allied Bank Limited
Al–Baraka Bank (Pakistan)Limited
Askari Bank Limited
BankIslami Pakistan Limited
Bank Alfalah Limited
Burj Bank Limited
Citibank, N.A.
Dubai Islamic Bank Pakistan Limited
Deutsche Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pakoman Investment Company Limited
Pakistan Kuwait Investment Company (Private) Limited
PAIR Investment Company Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Soneri Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

Registered / Head Office

E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.
UAN: 111-FATIMA (111-328-462)
Fax: 042-36621389
E-mail: mail@fatima-group.com
Website: www.fatima-group.com

Karachi Office

21-Oil Installation Area,
Keamari, Karachi.
Tel: 021 32855444-5
Fax: 021 32855446

Plant Site

Khanewal Road, Multan.
Tel: 061 9220022
Fax: 061 9220021

Company Profile

Pakarab Fertilizers Limited was established as a result of protocol concluded and signed on November 15, 1972 by the Government of Pakistan to further strengthen and develop fraternal ties between Islamic Republic of Pakistan and State of Abu Dhabi.

A Memorandum of Understanding was concluded between Pakistan Industrial Development Corporation (PIDC) and Abu Dhabi National Oil Company Limited (ADNOC) on March 7, 1973. A participation agreement emerged on November 1, 1973 to establish a joint venture for the expansion and modernization of the old Natural Gas Fertilizer Factory (NGFF) at Multan.

The Company was incorporated on November 12, 1973. Subsequently, PIDC assigned 52% of its shares to National Fertilizer Corporation (NFC) of Pakistan and ADNOC assigned 48% of its shares to International Petroleum Investment Company, with a paid-up capital of Rs. 743.061 million.

Under the privatization policy of Government of Pakistan, Pakarab Fertilizers Limited was privatized on July 14, 2005 at a cost of Rs.14.125 billion. It was acquired by the consortium of Fatima Group and Arif Habib Group.

Under the new management, Pakarab Fertilizers Limited has undergone extensive modernization and new improved processes have been introduced to maximize the output while minimizing the negative impacts on the environment. For this a Clean Development Mechanism (CDM) plant was installed, which is the first project of its kind in Pakistan. Basic aim of this project is the abatement of N2O and NOX emissions from the stack gases of Nitric Acid plant. The reduction of green house effect of these gases shows the new management's commitment towards a cleaner environment.

Pakarab Fertilizers Limited is located at Khanewal Road, Multan. The site area comprises 302 acres, which includes area for the factory and the housing colony with all amenities including medical centre, school, management and staff clubs for recreation of employees and their families, etc.

Profile of the Directors

Mr. Arif Habib
Chairman

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

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

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

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

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

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

CEO
- Fatima Fertilizer Company Limited

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

Mr. Fazal Ahmed Sheikh
Executive Director

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

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

Director
- Fatima Fertilizer Company Limited
- Reliance Commodities (Private) Limited
- Fatima Sugar Mills Limited
- Fazal Cloth Mills Limited

Mr. Rehman Naseem
Non-Executive Director

Mr. Rehman Naseem is director of the Company. He obtained a Bachelor of Economics Degree from Columbia University, New York. He is the Chief Executive of Ahmed Fine Textile Mills Limited and Rehman Amir Fabrics Limited. He is also director of Fazal Cloth Mills Limited, Ahmed Fine Textile Mills Limited, Amir Fine Exports (Pvt) Limited, Fazal Rehman Fabrics Limited, Hussain Ginneries Limited, Zafar Nasir Oil Extraction Limited, Rehman Amir Fabrics Limited, Fazal Farms (Pvt) Limited, Fazal Weaving Mills Limited and Fatima Energy Limited.

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

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

Chairman
- Workers Welfare Board - Pakarab Fertilizers Limited

Director
- Fatima Fertilizer Company Limited
- Fatima Sugar Mills Limited
- Fatima Energy Limited
- Reliance Weaving Mills Limited
- Reliance Commodities (Private) Limited
- Fazal Cloth Mills Limited
- Air One (Private) Limited

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

Mr. Nasim Beg
Non-Executive Director

Mr. Nasim Beg is a Fellow Member of the Institute of Chartered Accountant of Pakistan, having qualified as a Chartered Accountant in 1970; he also holds a Bachelor's degree in Commerce from Karachi University. He is the founder Chief Executive of Arif Habib Consultancy and was the founder Chief Executive (now Executive Vice Chairman) of MCB-Arif Habib Savings (formerly Arif Habib Investments Limited), a leading Asset Management Company of Pakistan. Mr. Beg serves on the Board of Summit Bank Limited, as well as on the Boards of several Arif Habib Group companies and is Chairman of the group's REITS Management Company and that of Power Cement Limited. He has extensive experience of over forty years of industry and financial sector in both domestic and international markets. He was part of the task force set up by the Securities & Exchange Commission of Pakistan (SECP) to develop the Voluntary Pension System. He was the founder Chairman of the SECP sponsored Institute of Capital Markets and was a Member of the Prime Minister's Economic Advisory Council.

Mr. Abdus Samad
Non-Executive Director

Mr. Samad has earned his Master's degree in Business Administration in 2001. He has more than 15 years of experience, including 09 years working in the financial services industry at various senior level positions. He began his career with Arif Habib Corporation Limited (the holding company of Arif Habib group) as an Investment Analyst, then served the company at various executive positions including Executive Sales and Business Promotions, Company Secretary, Head of Marketing, etc. Subsequently he was appointed as a Director of Arif Habib Corporation Limited. On September 2004, he was appointed as the Chairman and Chief Executive of Arif Habib Limited. He resigned from that position in January 2011. Presently, he is leading Javedan Corporation Limited; one of the largest housing projects, in the capacity of Chief Executive of the company. Further to this he is responsible for group real estate project and is also on board of Arif Habib Corporation Ltd, Arif Habib Investment Management Limited, Arif Habib REIT Management , Pakistan Private Equity, Aisha Steel Limited, International Complex, Rotocast Engineering Limited, Sukh Chayan Garden, Power Cement Limited and Safe Mix Concrete Products Limited.

Mr. Muhammad Kashif Habib
Non-Executive Director

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

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

Board Structure and Committees

Board Structure

PFL's Board is comprised of eight directors who have been elected by the shareholders for a term of three years expiring on December 31, 2015. Other than the Chief Executive Officer (CEO), there is one executive director and six non-executive directors on the Board. The Chairman of the Board is a non-executive 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.

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

1. Mr. Nasim Beg
   Chairman
2. Mr. Fazal Ahmed Sheikh
   Member
3. Mr. Rehman Naseem
   Member
4. Mr. Muhammad Kashif Habib
   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:

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- 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. All the members of the Committee are non-executive directors including the Chairman. The members are:

1. Mr. Nasim Beg
   Chairman
2. Mr. Abdus Samad
   Member
3. Mr. Faisal Ahmed Mukhtar
   Member
4. Mr. Rehman Naseem
   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.

Profile of the Key Management

Mr. M. Abad Khan

Advisor to CEO

Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in Fertilizer operations from abroad. Over the last 55 years, he has been part of most of growth of fertilizer industry in Pakistan. He was part of the team that commissioned Pakistan's first Urea Plant under the aegis of PIDC. He served with Exxon Chemical Pakistan Ltd. for 15 years mostly at senior management positions in manufacturing. He led Fauji Fertilizer Co. manufacturing for 14 years as General Manager Plant. Here he organized and established systems and procedures to lead the Plant to world standards. Plant capacity increased more than double by the time of his retirement.

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

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

Mr. Qadeer Ahmed Khan

Director Special Projects

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

Mr. Farrukh Iqbal Qureshi

GM Manufacturing

Mr. Qureshi has done his B.E. Chemical Engineering from Dawood College of Engineering and Technology, Karachi. Mr. Queshi has over 20 years of professional experience. He was previously engaged with Engro Polymer & Chemicals Limited, Karachi as the Safety, Environment & Training Manager.

Mr. Muhammad Zahir

Director Marketing

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

Mr. Haroon Waheed

Group Head of HR

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

Mr. Arif Hamid Dar

Chief Financial Officer

Mr. Arif Hamid Dar is a fellow member of the Institute of Chartered Accountants of Pakistan and got training with A.F. Ferguson & Co. Chartered Accountants. He has 14 years of diversified experience of handling finance, business planning, after sales services functions with Honda Atlas Cars (Pakistan) Ltd, a subsidiary of Honda Motor Company, Japan. He has joined the Company in early 2010.

Mr. Ausaf Ali Qureshi

Company Secretary

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

Mr. Iftikhar Mahmood Baig

GM Business Development

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

Profile of the Key Management

Mr. Fuad Imran Khan
Chief Information Officer

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

Mr. Javed Akbar
Head of Procurement

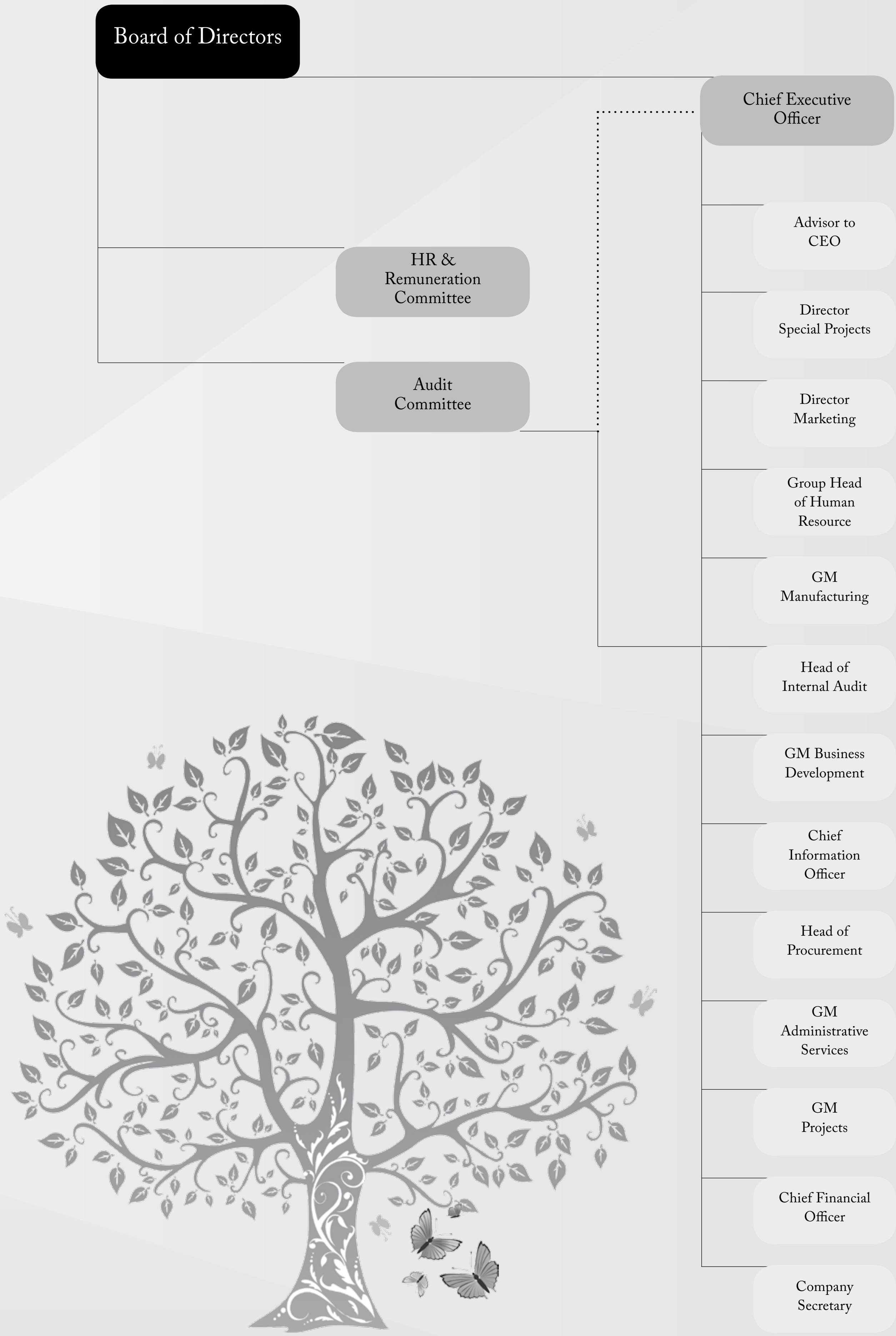
Mr. Javed Akbar is a Mechanical Engineer from NED University of Engineering and Technology Karachi, and also did his graduation in computer science from university of Mississippi, USA. He brings with him an experience of around 27 years, out of which more than 17 years is in the area of supply chain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

Brig (R) Muhammad Ali Asif Sirhindi
GM Administrative Services

Brig (Retd) Muhammad Ali Asif Sirhindi SI(M) joined Pakarab Fertilizers Limited team in September 2009 as General Manager (Administrative Services). He is a Graduate of Command and Staff College and has more than 30 Years of rich Army experience. In the Army he has served on important assignments of Command, Staff and Instructional appointments in Pakistan and abroad. He was awarded two CAOS Commendation Cards for act of valor and safe flying and Sitara-e-Imtiaz (Military) for devotion to duty, hard work and excellence.

Before joining Pakarab Fertilizers Limited he has also served as General Manager Administration in Oil and Gas Development Company Limited (OGDCL) for more than three years.

ORGANIZATION CHART



NOTICE OF THE 41ST ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the shareholders of PAKARAB FERTILIZERS LIMITED (the 'Company' or 'PFL') will be held on Wednesday, April 30, 2014 at 09:30 a.m. at E-110, Khayaban-e-Jinnah, Lahore Cantt., to transact the following business:

Ordinary Business

1. To confirm minutes of the Annual General Meeting held on April 30, 2013.

2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2013 together with the audited consolidated financial statements of Pakarab Fertilizers Limited and subsidiary Reliance Sacks Limited for the year ended December 31, 2013 and the Auditors' Reports thereon.

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

Other Business

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

By order of the Board

Ausaf Ali Qureshi
Company Secretary

Lahore: April 09, 2014.

Notes:

1. The share transfer books of the Company will remain closed from April 24, 2014 to April 30, 2014 (both days inclusive). Transfers received in order at the registered office of the Company by the close of business on April 23, 2014 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 by the Company at the Registered Office 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. Shareholders are requested to immediately notify the change of their address, if any.

FINANCIAL HIGHLIGHTS

Six years at a glance (Rs. in millions except per share data and ratios)

		Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013
Income Statement							
Turnover	Rs.	18,887	16,706	18,248	16,701	8,136	7,428
Cost of Goods Sold	Rs.	(6,378)	(9,796)	(9,051)	(7,188)	(6,221)	(7,143)
Gross Profit	Rs.	12,509	6,910	9,197	9,513	1,915	286
Admin Cost	Rs.	(590)	(610)	(780)	(969)	(1,165)	(888)
Distribution Cost	Rs.	(583)	(898)	(994)	(829)	(299)	(495)
Financial Cost	Rs.	(2,296)	(3,159)	(3,589)	(3,472)	(2,610)	(1,579)
Other Expenses	Rs.	(1,019)	(244)	(386)	(510)	(218)	(382)
Interest Income	Rs.	37	146	543	736	685	63
Other Income	Rs.	34	196	866	1,119	843	198
Re-measurement gain / (loss)	Rs.	-	2,866	(121)	741	(47)	-
Share gain/(loss) of associated company	Rs.	(57)	(25)	(39)	(18)	-	-
Profit before Tax	Rs.	8,035	5,183	4,697	6,311	(896)	(2,798)
Profit after Tax	Rs.	7,090	4,738	3,232	4,590	(240)	(1,825)
EBITDA	Rs.	10,815	8,342	8,943	10,665	2,929	(745)
Balance Sheet							
Paid up Capital	Rs.	3,000	4,500	4,500	4,500	4,500	4,500
Shareholder's Equity including revaluation reserve	Rs.	11,452	12,823	10,224	17,856	15,396	13,584
Long term borrowings	Rs.	13,805	16,191	13,372	8,484	4,559	1,466
Capital employed	Rs.	33,713	39,426	33,989	43,880	37,077	30,756
Deferred liabilities	Rs.	4,656	5,021	5,631	11,058	11,038	10,059
Property, plant & equipment	Rs.	20,279	21,285	21,916	37,937	37,290	37,114
Long term assets	Rs.	32,047	35,039	33,178	46,336	41,188	40,945
Net current assets / Working capital	Rs.	1,666	4,387	811	(2,456)	(4,111)	(10,188)
Total Assets	Rs.	45,523	52,126	50,637	65,341	54,636	48,148
Cash Flows:							
Operating activities	Rs.	2,780	6,712	4,109	4,023	(1,179)	(682)
Investing activities	Rs.	(10,278)	(10,353)	(2,989)	(710)	5,870	2,790
Financing activities	Rs.	3,100	3,467	(316)	(2,643)	(5,665)	(1,864)
Changes in cash & cash equivalents	Rs.	(4,398)	(174)	804	669	(973)	244
Cash & cash equivalents - Year end	Rs.	(5,146)	(5,321)	(4,517)	(3,847)	(4,820)	(4,576)
Key Indicators:							
Operating:							
Gross Profit Margin	%	66.23	41.36	50.40	56.96	23.54	3.84
Pre tax margin	%	42.54	31.03	25.74	37.79	(11.01)	(37.67)
Net profit margin	%	37.54	28.36	17.71	27.48	(2.95)	(24.57)
EBITDA %age to sales	%	57.26	49.93	49.01	63.86	36.00	(10.03)
Earning per share (Rs.) Basic	Rs.	23.63	10.53	7.18	10.20	(0.53)	(4.06)
Performance:							
Book Value per share (Excluding revaluation surplus)	Rs.	39.92	32.99	27.22	23.14	17.63	13.78
Book Value per share (Including revaluation surplus)	Rs.	48.17	38.50	32.72	49.68	44.21	40.19
Return on assets	%	15.57	9.09	6.38	7.02	(0.44)	(3.79)
Total Assets Turnover	Times	0.41	0.32	0.36	0.26	0.15	0.15
Fixed Assets Turnover	Times	0.93	0.77	0.82	0.44	0.22	0.20
Debtors turnover	Times	19.18	11.80	11.13	12.19	11.14	20.52
Debtors turnover	Days	19	31	33	29.95	33	18
Inventory turnover	Times	1.43	1.80	1.82	1.45	1.32	1.40
Inventory turnover	Days	255	203	200	251	276	261
Return on Share Capital	%	236.33	105.29	71.82	102.00	(5.33)	(40.56)
Return on Equity (excluding revaluation surplus)	%	59.20	31.91	26.39	44.08	(3.03)	(29.44)
Leverage:							
Long Term Debt : Equity		54:46	54:46	59:41	59:41	54:46	43:57
Interest cover		4.06	1.64	1.31	1.82	(0.66)	(0.77)
Liquidity:							
Current Ratio		1.14	1.35	1.05	0.89	0.77	0.41
Quick ratio		0.62	0.98	0.73	0.67	0.49	0.20
Valuation							
Earnings per share (before tax)	Rs.	26.78	11.52	10.44	14.02	(1.99)	(6.22)
Earnings per share (after tax)	Rs.	23.63	10.53	7.18	10.20	(0.53)	(4.06)
Earnings Growth	%	430.29	(55.45)	(31.79)	42.02	(105.23)	(660.45)
Cash dividend	%	-	-	-	-	-	-
Bonus dividend	%	50.00	-	-	-	-	-
Specie dividend	%	50.00	100.00	130	148	49	-

Horizontal Analysis

Balance Sheet

	Rupees ('million')					% Change				
	Dec 31 2009 (Restated)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	2009 vs 2008	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012
Issued, subscribed and paid up capital	4,500	4,500	4,500	4,500	4,500	50.00	-	-	-	-
Reserves	10,147	7,548	5,714	3,432	1,700	16.15	(25.61)	(24.30)	(39.94)	(50.47)
Share deposit money	200	200	200	-	-	(16.67)	-	-	(100.00)	-
Revaluation reserve	2,476	2,476	11,942	11,964	11,884	-	-	382.31	0.18	(0.67)
	17,323	14,724	22,356	19,896	18,084	19.87	(15.00)	51.83	(11.00)	(9.11)
Non-Current Liabilities										
Long term finances	16,191	13,372	8,484	4,559	1,466	17.28	(17.41)	(36.55)	(46.26)	(67.84)
Supplier's credit - secured	-	-	1,796	1,488	1,100			100	(17.15)	(26.08)
Liabilities against assets subject to finance lease	107	218	138	50	-	42.67	103.74	(36.70)	(63.77)	(100.00)
Payable against mining rights	52	-	-	-	-	-	(100.00)	-	-	-
Long term deposits	732	44	48	46	47	1.10	(93.99)	9.09	(4.17)	2.49
Deferred liabilities	46	57	91	115	126	8.95	24.57	59.65	26.37	9.98
Deferred taxation	4,975	5,574	10,967	10,923	9,933	7.82	12.04	96.75	(0.40)	(9.07)
	22,103	19,265	21,524	17,181	12,672	14.76	(12.84)	11.73	(20.18)	(26.24)
Current Liabilities										
Current portion of long term liabilities	1,339	4,009	6,335	4,878	3,132	4,141.50	199.40	58.02	(23.00)	(35.79)
Finances under mark up arrangements - secured	5,556	4,702	4,644	5,814	4,736	6.20	(15.37)	(1.23)	25.19	(18.54)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Payable to Privatization Commission of Pakistan	2,198	2,198	2,198	2,198	2,198	-	-	-	-	(0.00)
Short term loan from related party - secured	-	-	-	-	3,000	-	-	-	-	-
Trade and other payables	2,491	4,458	3,121	3,225	3,989	(18.19)	78.96	(29.99)	3.33	23.68
Accrued finance cost	989	650	677	366	337	23.73	(34.28)	4.15	(45.94)	(8.04)
Dividend payable	-	-	3,755	1,078	-	-				(100.00)
Provision for taxation	127	631	731	-	-	(72.01)	396.85	15.85	(100.00)	-
	12,700	16,648	21,461	17,559	17,391	7.53	31.09	28.91	(18.18)	(0.95)
	52,126	50,637	65,341	54,636	48,148	14.50	(2.86)	29.04	(16.38)	(11.88)

	Rupees ('million')					% Change				
	Dec 31 2009 (Restated)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	2009 vs 2008	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012
Non-Current Assets										
Property, plant and equipment	21,285	21,916	37,937	37,290	37,114	4.96	2.96	73.10	(1.71)	(0.47)
Assets subject to finance lease	148	283	230	121	51	26.65	91.22	(18.73)	(47.39)	(58.16)
Intangibles	206	183	161	149	144	-	(11.17)	(12.02)	(7.45)	(3.08)
Goodwill	3,305	3,305	3,305	3,305	3,305	-	-	-	-	0.00
Investments - related party	7,882	2,930	130	262	295	(5.42)	(62.83)	(95.56)	101.54	12.42
Loan to subsidiary	2,196	4,516	4,516	-	-	105.65	-	(100.00)	-	
Security deposits	17	45	57	61	36.22	109.67	164.71	26.67	7.02	(40.63)
	35,039	33,178	46,336	41,188	40,945	9.34	(5.31)	39.66	(11.11)	(0.59)
Current Assets										
Stores and spare parts	1,880	2,310	2,583	3,023	2,904	5.80	22.87	11.82	17.03	(3.92)
Stock-in-trade	2,793	2,947	2,058	1,734	812	(36.95)	5.51	(30.17)	(15.74)	(53.19)
Trade debts	1,427	1,851	890	571	153	1.57	29.71	(51.92)	(35.84)	(73.18)
other receivables	6,814	3,583	5,300	6,042	3,174	17.91	(47.42)	47.92	14.00	(47.47)
Derivative	8	69	19	-	-	-	762.50	(72.46)	(100.00)	-
Investments	3,930	6,513	7,359	1,084	-	-	65.73	12.99	(85.27)	(100.00)
Cash and bank balances	235	186	796	994	160	176.47	(20.85)	327.96	24.87	(83.92)
	17,087	17,459	19,005	13,448	7,203	26.80	2.18	8.86	(29.24)	(46.44)
	52,126	50,637	65,341	54,636	48,148	14.50	(2.86)	29.04	(16.38)	(11.88)

Vertical Analysis

Balance Sheet

	Rupees ('million')					% Change				
	Dec 31 2009 (Restated)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	2009 vs 2008	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012
Issued, subscribed and paid up capital	4,500	4,500	4,500	4,500	4,500	8.63	8.89	6.89	8.24	9.35
Reserves	10,147	7,548	5,714	3,432	1,700	19.47	14.91	8.74	6.28	3.53
Share deposit money	200	200	200	-	-	0.38	0.39	0.31	-	-
Revaluation reserve	2,476	2,476	11,942	11,964	11,884	4.75	4.89	18.28	21.90	24.68
	17,323	14,724	22,356	19,896	18,084	33.23	29.08	34.21	36.42	37.56
Non-Current Liabilities										
Long term finances	16,191	13,372	8,484	4,559	1,466	31.06	26.41	12.98	8.34	3.04
Supplier's credit - secured	-	-	1,796	1,488	1,100	-	-	2.75	2.72	2.28
Liabilities against assets subject to finance lease	107	218	138	50	-	0.21	0.43	0.21	0.09	-
Payable against mining rights	52	-	-	-	-	0.10	-	-	-	-
Long term deposits	732	44	48	46	47	1.40	0.09	0.07	0.08	0.10
Deferred liabilities	46	57	91	115	126	0.09	0.11	0.14	0.21	0.26
Deferred taxation	4,975	5,574	10,967	10,923	9,933	9.54	11.01	16.78	19.99	20.63
	22,103	19,265	21,524	17,181	12,672	42.40	38.05	32.94	31.45	26.32
Current Liabilities										
Current portion of long term liabilities	1,339	4,009	6,335	4,878	3,132	2.57	7.92	9.70	8.93	6.51
Finances under mark up arrangements - secured	5,556	4,702	4,644	5,814	4,736	10.66	9.29	7.11	10.64	9.84
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Payable to Privatization Commission of Pakistan	2,198	2,198	2,198	2,198	2,198	4.22	4.34	3.36	4.02	4.56
Short term loan from related party - secured	-	-	-	-	3,000	-	-	-	-	6.23
Trade and other payables	2,491	4,458	3,121	3,225	3,989	4.78	8.80	4.78	5.90	8.28
Accrued finance cost	989	650	677	366	337	1.90	1.28	1.04	0.67	0.70
Dividend payable	-	-	3,755	1,078	-	-	-	5.75	1.97	-
Provision for taxation	127	631	731	-	-	0.24	1.25	1.12	-	-
	12,700	16,648	21,461	17,559	17,391	24.36	32.88	32.84	32.14	36.12
	52,126	50,637	65,341	54,636	48,148	100.00	100.00	100.00	100.00	100.00

	Rupees ('million')					% Change				
	Dec 31 2009 (Restated)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	2009 vs 2008	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012
Non-Current Assets										
Property, plant and equipment	21,285	21,916	37,937	37,290	37,114	40.83	43.28	58.06	68.25	77.08
Assets subject to finance lease	148	283	230	121	51	0.28	0.56	0.35	0.22	0.11
Intangibles	206	183	161	149	144	0.40	0.36	0.25	0.27	0.30
Goodwill	3,305	3,305	3,305	3,305	3,305	6.34	6.53	5.06	6.05	6.86
Investments - related party	7,882	2,930	130	262	295	15.12	5.79	0.20	0.48	0.61
Loan to subsidiary	2,196	4,516	4,516	-	-	4.21	8.92	6.91	-	-
Security deposits	17	45	57	61	36	0.03	0.09	0.09	0.11	0.08
	35,039	33,178	46,336	41,188	40,945	67.22	65.52	70.91	75.39	85.04
Current Assets										
Stores and spare parts	1,880	2,310	2,583	3,023	2,904	3.61	4.56	3.95	5.53	6.03
Stock-in-trade	2,793	2,947	2,058	1,734	812	5.36	5.82	3.15	3.17	1.69
Trade debts	1,427	1,851	890	571	153	2.74	3.66	1.36	1.05	0.32
Other receivables	6,814	3,583	5,300	6,042	3,174	13.07	7.08	8.11	11.06	6.59
Derivative financial instruments	8	69	19	-	-	0.02	0.14	0.03	-	-
Investments	3,930	6,513	7,359	1,084	-	7.54	12.86	11.26	1.98	-
Cash and bank balances	235	186	796	994	160	0.45	0.37	1.22	1.82	0.33
	17,087	17,459	19,005	13,448	7,203	32.78	34.48	29.09	24.61	14.96
	52,126	50,637	65,341	54,636	48,148	100.00	100.00	100.00	100.00	100.00

Horizontal Analysis

Profit and Loss

	Rupees in Million					% Change				
	Dec 31, 2009 (Restated)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	2009 vs 2008	2010 Vs 2009	2011 Vs 2010	2012 Vs 2011	2013 Vs 2012
Sales	16,706	18,248	16,701	8,136	7,428	(11.55)	9.23	(8.48)	(51.28)	(8.70)
Cost of sales	(9,796)	(9,051)	(7,188)	(6,221)	(7,143)	53.59	(7.61)	(20.58)	(13.45)	14.82
Gross profit	6,910	9,197	9,513	1,915	286	(44.76)	33.10	3.44	(79.87)	(85.09)
Administrative expenses	(610)	(780)	(969)	(1,165)	(888)	3.39	27.87	24.23	20.23	(23.82)
Selling & distribution expenses	(898)	(994)	(829)	(299)	(495)	54.03	10.69	(16.60)	(63.93)	65.69
Finance cost	(3,159)	(3,589)	(3,472)	(2,610)	(1,579)	37.59	13.61	(3.26)	(24.83)	(39.49)
Other operating expenses	(244)	(387)	(510)	(218)	(382)	(76.05)	58.61	31.78	(57.25)	75.08
Other operating income	342	1,409	1,855	1,528	261	381.69	311.99	31.65	(17.63)	(82.95)
Operating profit	2,341	4,856	5,588	(849)	(2,798)	(71.07)	107.43	15.07	(115.19)	229.55
Share of profit / (loss) of associated co.	(25)	(39)	(18)	-	-	(55.78)	54.72	(53.85)	(100.00)	-
Re-measurement gain / (loss)	2,866	(121)	741	(47)	-	-	(104.22)	(712.40)	(106.34)	(100.00)
Profit before taxation	5,182	4,696	6,311	(896)	(2,798)	(35.50)	(9.38)	34.39	(114.20)	212.26
Taxation	(444)	(1,464)	(1,721)	656	973	(53.02)	229.73	17.55	(138.12)	48.29
Profit after taxation	4,738	3,232	4,590	(240)	(1,825)	(33.17)	(31.79)	42.02	(105.23)	660.45

Vertical Analysis

Profit and Loss

	Rupees in Million					% Change				
	Dec 31, 2009 (Restated)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	2009 vs 2008	2010 Vs 2009	2011 Vs 2010	2012 Vs 2011	2013 Vs 2012
Sales	16,706	18,248	16,701	8,136	7,428	100.00	100.00	100.00	100.00	100.00
Cost of sales	(9,796)	(9,051)	(7,188)	(6,221)	(7,143)	(58.64)	(49.60)	(43.04)	(76.46)	(96.16)
Gross profit	6,910	9,197	9,513	1,915	286	41.36	50.40	56.96	23.54	3.84
Administrative expenses	(610)	(780)	(969)	(1,165)	(888)	(3.65)	(4.27)	(5.80)	(14.32)	(11.95)
Selling & distribution expenses	(898)	(994)	(829)	(299)	(495)	(5.38)	(5.45)	(4.96)	(3.68)	(6.67)
Finance cost	(3,159)	(3,589)	(3,472)	(2,610)	(1,579)	(18.91)	(19.67)	(20.79)	(32.08)	(21.26)
Other operating expenses	(244)	(387)	(510)	(218)	(382)	(1.46)	(2.12)	(3.05)	(2.68)	(5.14)
Other operating income	342	1,409	1,855	1,528	261	2.05	7.72	11.11	18.78	3.51
Operating profit	2,341	4,856	5,588	(849)	(2,798)	14.01	26.61	33.46	(10.44)	(37.67)
Share of profit / (loss) of associated co.	(25)	(39)	(18)	-	-	(0.15)	(0.21)	(0.11)	-	-
Re-measurement gain / (loss)	2,866	(121)	741	(47)	-	17.16	(0.66)	4.44	(0.58)	-
Profit before taxation	5,182	4,696	6,311	(896)	(2,798)	31.02	25.73	37.79	(11.01)	(37.67)
Taxation	(444)	(1,464)	(1,721)	656	973	(2.66)	(8.02)	(10.30)	8.06	13.10
Profit after taxation	4,738	3,232	4,590	(240)	(1,825)	28.36	17.71	27.48	(2.95)	(24.57)

Entity Ratings by JCR-VIS

AA- (Long Term)
A-1 (short term)

Rs. 5.0 billion TFCs (Fully paid in February 2013)
Rating AA (Long Term)

Rs. 6.5 billion PPTFCs
AA (Long Term)

Definitions:

AA-
High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A-1
High certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

AA
High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

Directors' Report to the members

On behalf of the Board of Directors of Pakarab Fertilizers Limited, I present herewith the Annual Report of your Company and the audited financial statements for the year ended December 31, 2013 together with auditors' report thereon and a brief overview of financial and operational performance of the Company.

Company Overview

Regretablly, the Company has had another poor year due to gas supply curtailment. During the year the Company was operational for merely 43 days and thus suffered a radical decline in production and in sales.

NP sales in 2013 were at 51kt, down by 58% as compared to last year. CAN sales in 2013 were at 56kt, down by a significant 44% compared to last year. The Company imported and sold 52kt DAP in an attempt to remain in the market and compensated the loss suffered due to severe gas curtailment.

Financial Performance Review

During the year 2013, the gas supply situation for the Company worsended as compared to other plants on SNGPL network. Gas supply remained continuously suspended since December 06, 2012 till August 30, 2013. PFL received gas for only 43 days during the September 2013 and October 2013. Consequently, the production capacity could not be achieved and the Company suffered a loss after tax of Rs. 1,825 million for the year 2013. The production of NP, CAN and Urea as a percentage of annual design capacity remained 15.89%, 12.32% and 2.45% respectively.

A summary of financial results for the year 2013 compared with year 2012 is as under.

Rupees in million

	Jan-Dec 2013	Jan-Dec 2012
Sales	7,428	8,136
Gross Profit	285	1,915
Finance Cost	(1,579)	(2,610)
Other Operating Income	261	1,529
Loss after tax	(1,825)	(240)

Management has implemented various measures to minimize expenses including financial cost by managing the loans. Management successfully managed to save Rs. 1,031 million on account of financial cost that reduced as compared to last year from Rs. 2,610 million to Rs. 1,579 million. Besides the cost control measures, the sale of imported DAP also contributed to reduce the losses.

Appropriations

Appropriations during the year were as follows:

Rupees in million

	Fair Value Reserve	General Reserve	Un - Appropriated Profit / (Accumulated Loss)
Balance as at December 31, 2012	-	2,098	1,334
Other comprehensive income for the year 2013	20	-	72
Loss for the year 2013	-	-	(1,825)
	20	2,098	(419)

Reliance Sack Limited (RSL) is a wholly owned subsidiary of Pakarab Fertilizers Limited (PFL). It is principally engaged in the manufacturing and sale of polypropylene sacks, polypropylene cloth and liners.

Overall annual capacity of the plant in terms of number of bags is 52 million. The company achieved 94% of the standard capacity in terms of number of bags during the year. It produced 49.190 million polypropylene (PP) bags. The company also started production and sales of liners to fertilizer industry from June 2013. Total capacity of liners is 120 MT (almost 3.6 million liners) per month and company achieved 93% production capacity and produced 814 MT (21.5 million liners).

This has been the first year of commercial production for the company and it has been able to achieve after tax profit of Rs. 28.56 million for the year.

A summary of consolidated financial results for the year 2013 is as under:

Rupees in million

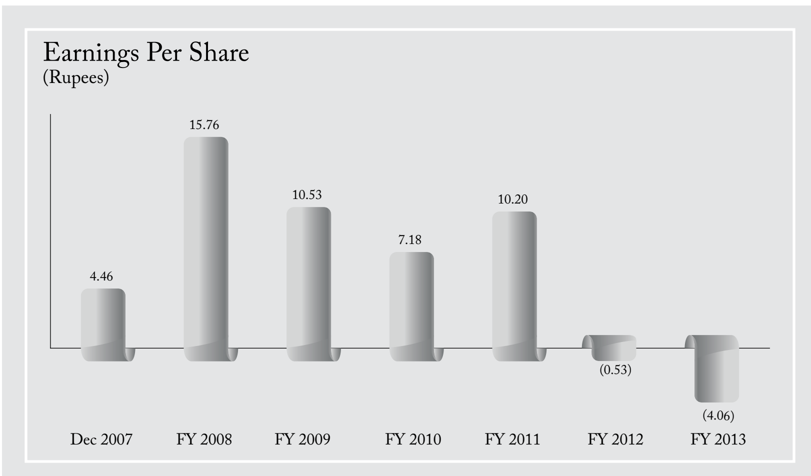
	Jan - Dec 2013	Jan - Dec 2012
Sales	8,699	8,136
Gross Profit	416	1,915
Finance Cost	(1,640)	(2,611)
Other Income	261	1,529
Loss after tax	(1,801)	(245)

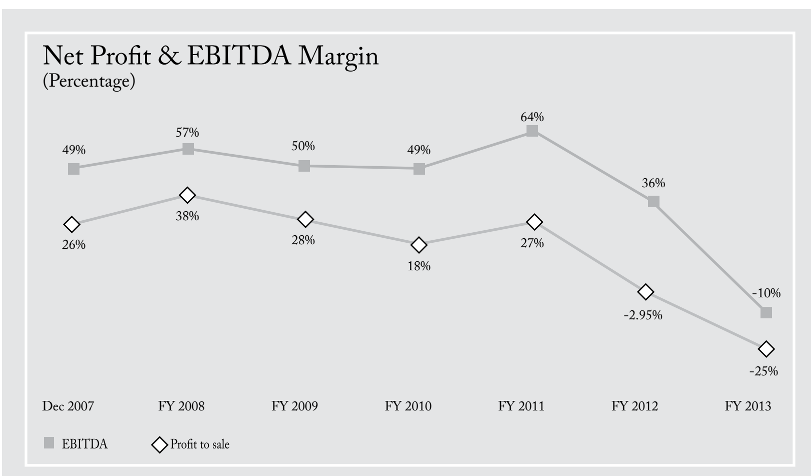
Post Balance Sheet Events

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Statement as to the Value of Investments of Provident and Gratuity Funds

The funded retirement benefits of the employees of the Company are audited at regular intervals and are adequately covered by appropriate investments. The value of the investments of the two provident funds and gratuity fund aggregated to Rs. 295.90 millions. According to actuarial valuation, fair value of the assets of the funded defined benefit gratuity plan for both management & non-management staff is Rs. 89.81 million as on 31st December 2013.





Plant Preservation and Operations

Pakarab Fertilizers faced gas outage and natural gas curtailment throughout the year. There was no gas supply till end August 2013. This forced proper preservation of equipment and machines, which was done successfully. Upon gas availability the plant was restarted without any problems and service factor thereafter remained 100%.

Urea plant was started in September, 2013 after a shutdown of 2 years safely and smoothly after reverting all preservation arrangements.

The plant has been maintained in good shape during outages and operated safely during availability of precious gas. The plant was operated with a bare-minimum manpower of 160 employees in management cadre.

Installation and Commissioning of Natural Gas Cracking Unit

In order to sustain business during gas outage/limitation period and to fulfill customer demands for liquefied carbon dioxide (LCO2), a new dual train natural gas cracking unit was installed at a capital cost of Rs. 80 millions. Lot of engineering work for this plant was done by PFL team in house due to which it attained about 90% capacity factor finally. Piping and all the smaller equipment are designed and manufactured at site. This facility enabled us to continue LCO2 supply almost all-round the year.

Study of Different Business Options

A number of studies were taken up to explore various possibilities of revenue generation by PFL team. These included:

1. Calcium Nitrate Fertilizers – Successfully produced this liquid fertilizer. Now under farm testing.

2. NP/CAN operations by using Ammonia from other sources

3. SSP fertilizer production and sales – Work still in progress on various options.

Directors' Report to the members

4. DAP import and marketing - 51,162 MeT of DAP was imported and successfully marketed by marketing team.

Health Safety, Environment and Quality Management Systems

The organization continued its pursuit for manufacturing excellence in this area as well.

Milestones:

- Completed 10 million man hours without LTI in November 2013.
- Pakarab again won the International Safety Award from British Safety Council in 2013, 3rd time in a row. This International Safety Award recognizes and rewards organizations that show a real commitment to improving corporate health and safety.
- IMS certification third party audit conducted and certification obtained for ISO 9001:2008; ISO 14001:2004 & OHSAS 18001:2007
- Process Safety Management System (PSM) internal audit carried out for the second time.
- PSM training of all management employees was completed.

Safety Performance:

Period	2009	2010	2011	2012	2013
Loss Time Injury	-	1	-	-	-
First Aid Cases	7	2	7	13	7
Fire Incident-Minor	2	2	5	6	2
Total Recordable Injury Rate	0.22	0.33	0.10	0.305	0.26

Celebration of Environment Day

To raise awareness among PFL employees and their families, Environmental Day was celebrated. Tree plantation was also done on this occasion.




Human Resource Management

Town Hall Meeting

The first town hall meeting was held at Pakarab Fertilizers Limited on December 24, 2013 and all the management employees at PFL were invited. The main objective of the town hall was to enable the senior leadership to keep people informed, engaged and in sync with business challenges and goals.

Training and Development

In its commitment to investing in human capital, a number of trainings were conducted by the Company this year. Major focus has been launching and training of process safety management and operational excellence. All the management employees have undergone this training.

Taking advantage from availability of resource for training, the training hours per employee per year soared to a record 57hr/employee/year in 2013. Formal training sessions comprised of 178 formal sessions translating to 9,342 man hours of management employees alone. All the training sessions were designed and executed in house to curtail costs.

Values and Behaviors

"Culturing the Business DNA"
The Company defined its 7 core business values and their relevant behaviors in 2012. This was followed by the embedding phase. The year 2013 was dedicated to measuring the level of understanding and awareness among the employees. A formal survey was conducted to gauge the same at the staff as well as management level. The results were compiled and you would be happy to know that the level of understanding and awareness of these core values measured up to be 85%.

A new Business Strategy Review Committee was formed (with representation from all departments) to work out a way forward to effectively incorporate these values into your Business DNA.

Corporate Social Responsibility

Despite the losses being suffered due to gas curtailment, your Company feels responsible towards the communities and aims to contribute for their betterment in every way possible. Your Company's corporate social responsibility is more than just a statement. It strives to contribute towards the wellbeing of the local communities. Your Company's initiatives in health, environment and other social sectors are the living proof of your Company's concern. Your Company believes that the growth of its business depends on the growth of the communities around it.

LUMS-National Outreach Program (NOP)

Further to last year's commitment to the institution, LUMS, your Company enhanced the number of NOP scholarships from 8 to 12 in 2013. The objective of the LUMS NOP program which was launched in 2001 is to provide free of cost education to the deserving youth of Pakistan.
IBA Support in line with its commitment to give back to the society, your Company has initiated an Endowment Fund at Institution of Business Administration, Karachi (IBA). Furthermore, Marketing Director of your Company, Mr. Muhammad Zahir, has been selected as a Board member of Friends of IBA Trust (FIBAT). FIBAT was established by the IBA Board of Governors with an aim to provide better material, financial help and facilities to students, faculties and staff of IBA in order to further the purposes of education and to allocate amounts in achieving the said purposes.

Other Initiatives

The Company has further donated Rs. 152 million towards the following charitable institutions/causes:

- Tree Plantation
- Multan Diabetic Foundation
- Punjab Workers Welfare Board Hospital (PWWBH)

Engaged Employees

Your Company believes that it is absolutely imperative to form a mutually beneficial relationship with its communities and support them through economic development and corporate social investment initiatives.

Your Company is of the opinion that it is the duty of every employee to give back to the community by contributing to various social and developmental causes both on an individual and collective basis.

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

Directors' Report to the members

Code of Corporate Governance

The Board and management are committed to ensure that the requirements of the Code of Corporate Governance are fully met. Though it is not applicable being a non listed company but the Company is voluntarily complying the Code. The Company has adopted good Corporate Governance practices with an aim to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. Pursuant to and in voluntarily compliance with clause (xvi) of the Code of Corporate Governance, the Directors are pleased to report that:

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

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

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

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

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

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

Board and Committees' Meetings and Attendance

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

Name of Director	Board Meetings	Audit Committee Meetings
Mr. Arif Habib	5	N/A
Mr. Fawad Ahmed Mukhtar	5	N/A
Mr. Fazal Ahmed Sheikh	4	2
Mr. Faisal Ahmed Mukhtar	2	N/A
Mr. Rehman Naseem	3	2
Mr. Abdus Samad	4	N/A
Mr. Muhammad Kashif Habib	4	3
Mr. Nasim Beg	5	4

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, 2013 have been appended to the Annual Report on page 144.

Trading in Share of the Company by Directors and Executives

The shares of the Company are not listed on any stock exchange so the Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

Financial Highlights

Key operating and financial data of previous years has been summarized on page 15.

Audit Committee

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

Corporate and Secretarial Compliance

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

Code of Conduct

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

Auditors

M/s A.F. Ferguson & Company Chartered Accountants Lahore, retiring auditors of the Company, being eligible offer themselves for re-appointment. The Board Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 41st Annual General Meeting, as auditors of the Company for the year ending December 31, 2014 at a fee to be mutually agreed.

Future Outlook

The newly elected Government has shown positive intentions to resolve the economic turmoil and they took various serious measures to resolve the problems of fertilizer industry. Shifting of Engro and Agritech over other fields is one of the initiatives taken by the Government.

Management is continuously engaged with the GoP on short term as well as long term solution of the gas issue. We are also working towards the development of infrastructure for installation of new gas pipeline form dedicated fields. Management is also exploring other domains to utilize its skilled resources like manufacturing of SSP considering the market position of this type of fertilizer in the country. Your Company has also planned to import significant quantity of DAP during coming year to maintain its phosphatic market.

The Management is taking all possible measures within its reach to ensure that it gets fair treatment from SNGPL in receipt of gas under the priority policy set by the Government. However, the future of the Company is totally dependant of the Government putting the long-term gas supply arrangements on fast track and the various State Enterprise involved with the issue lending complete co-operation and support. The Government had to spend foreign exchange of USD 308 million and subsidy of around Rs. 22 billion on import of Urea which can be saved if it provides gas to local fertilizer manufacturing plants.

Acknowledgements

The Board places on record its gratitude for the hard work and dedication of every employee of the Company. The Board also appreciates and acknowledges the financial institutions, commercial banks, business associates, customers and all others whose efforts and contributions strengthened the Company and in particular, support of the Government of Pakistan in its recent decision to recommencing gas supplies to the Company.

For and on behalf of Board

Lahore
March 27, 2014

Arif Habib
Chairman

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to voluntarily comply with the Code of Corporate Governance (CCG) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Executive Directors	1. Mr. Fawad Ahmed Mukhtar 2. Mr. Fazal Ahmed Sheikh
Non-Executive Directors	1. Mr. Arif Habib 2. Mr. Nasim Beg 3. Mr. Faisal Ahmed Mukhtar 4. Mr. Rehman Naseem 5. Mr. Muhammad Kashif Habib 6. Mr. Abdus Samad

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

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

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

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

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

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

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

9. The board arranged in-house one training program for its directors during the year to acquaint them with the Code.

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

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

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

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

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

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

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

17. The board has formed an HR and Remuneration Committee. It comprises four members, all of whom are non-executive directors and the chairman of the committee is a non-executive director.

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

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

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

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

Fawad Ahmed Mukhtar
Chief Executive Officer

Date: March 27, 2014
Place: Lahore

Financial Statements of

Pakarab Fertilizers Limited

for the year ended December 31, 2013

Review Report to the Members
on Statement of Compliance with Best Practices of Code of Corporate Governance

The Board of Director of Pakarab Fertilizers Limited (the 'Company') have voluntarily adopted the Code of Corporate Governance (the 'Code') contained in the Listing Regulations of the Karachi Stock Exchange Limited and prepared a Statement of Compliance with the best practices contained therein.

As requested, we have reviewed the Statement of Compliance with the best practices contained in the Code prepared by the Board of Directors of the Company.

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

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

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

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

A.F. Ferguson & Co.
Chartered Accountants
Lahore: March 27, 2014

Engagement Partner: Muhammad Masood

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakarab Fertilizers Limited ('the company') as at December 31, 2013 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

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

  Except for the change as styled in not to the annual Financial Statement with which we concur.

  (ii) the expenditure incurred during the year was for the purpose of the 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 part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2013 and of the loss, total comprehensive loss, changes in equity and its cash flows for the year then ended; and

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

A.F. Ferguson & Co.
Chartered Accountants
Lahore: March 27, 2014

Engagement Partner: Muhammad Masood

Balance Sheet
as at December 31, 2013

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 1,000,000,000 (2012: 1,000,000,000) ordinary shares of Rs 10 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital 450,000,000 (2012: 450,000,000) ordinary shares of Rs 10 each	5	4,500,000	4,500,000
Reserves	6	1,699,858	3,432,253
		6,199,858	7,932,253
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	7	11,884,336	11,964,238
NON-CURRENT LIABILITIES			
Long term finances - secured	8	1,466,071	4,559,279
Import bill payable - secured	9	1,100,000	1,488,400
Liabilities against assets subject to finance lease	10	-	49,678
Long term deposits	11	47,145	46,180
Deferred liabilities	12	126,472	114,840
Deferred taxation	13	9,932,611	10,922,741
		12,672,299	17,181,118
CURRENT LIABILITIES			
Current portion of long term liabilities	14	3,132,017	4,877,123
Short term loan from related party - secured	15	3,000,000	-
Short term borrowings - secured	16	4,736,195	5,814,085
Payable to Privatization Commission of Pakistan	17	2,197,901	2,197,901
Derivative financial instruments	18	-	714
Trade and other payables	19	3,988,621	3,224,946
Accrued finance cost	20	336,585	365,673
Dividend payable		-	1,078,200
		17,391,319	17,558,642
CONTINGENCIES AND COMMITMENTS	21		
		48,147,812	54,636,251

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	22	37,113,856	37,290,256
Assets subject to finance lease	23	50,631	121,126
Intangible assets	24	144,407	149,073
Goodwill	25	3,305,163	3,305,163
Long term investments	26	294,550	261,910
Security deposits		36,218	60,409
		40,944,825	41,187,937
CURRENT ASSETS			
Stores and spare parts	27	2,904,350	3,023,106
Stock-in-trade	28	811,659	1,733,871
Trade debts	29	153,163	570,992
Advances, deposits, prepayments and other receivables	30	3,173,980	6,042,228
Short term investments	31	-	1,084,160
Cash and bank balances	32	159,835	993,957
		7,202,987	13,448,314
		48,147,812	54,636,251

Director

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

	Note	2013	2012
		(Rupees in thousand)	
Sales	33	7,428,247	8,136,158
Cost of sales	34	(7,142,667)	(6,221,309)
Gross profit		285,580	1,914,849
Administrative expenses	35	(887,527)	(1,164,607)
Selling and distribution expenses	36	(495,405)	(299,050)
		(1,097,352)	451,192
Finance cost	37	(1,579,439)	(2,610,043)
Other expenses	38	(381,668)	(218,131)
		(3,058,459)	(2,376,982)
Other income	39	260,581	1,528,566
Loss on remeasurement of financial assets at fair value through profit or loss		-	(47,120)
Loss before taxation		(2,797,878)	(895,536)
Taxation	40	972,795	655,748
Loss for the year		(1,825,083)	(239,788)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

Director

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

	2013	2012
	(Rupees in thousand)	
Loss for the year	(1,825,083)	(239,788)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of fair value of available-for-sale investment	27,504	-
Deferred tax charge relating to remeasurement of available-for-sale investment to fair value	(7,220)	-
	20,284	-
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of operating fixed assets realised through incremental depreciation charged on related assets for the year	79,902	163,901
Remeasurement of post retirement benefit obligation	(7,498)	-
	72,404	163,901
Other comprehensive income - net of tax	92,688	163,901
Total comprehensive loss for the year - net of tax	(1,732,395)	(75,887)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity
for the year ended December 31, 2013

	(Rupees in thousand)					
			Capital reserve	Revenue reserves		
	Share capital	Share deposit money	Fair value reserve	General reserve	Unappropriated profit / (accumulated loss)	Total
Balance as on January 1, 2012	4,500,000	200,000	-	2,098,313	3,615,727	10,414,040
Loss for the year	-	-	-	-	(239,788)	(239,788)
Other comprehensive income for the year - net of tax	-	-	-	-	163,901	163,901
Total comprehensive loss for the year	-	-	-	-	(75,887)	(75,887)
Share deposit money refunded	-	(200,000)	-	-	-	(200,000)
Specie dividend to equity holders of the company	-	-	-	-	(2,205,900)	(2,205,900)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(200,000)	-	-	(2,205,900)	(2,405,900)
Balance as on December 31, 2012	4,500,000	-	-	2,098,313	1,333,940	7,932,253
Loss for the year	-	-	-	-	(1,825,083)	(1,825,083)
Other comprehensive income for the year - net of tax	-	-	20,284	-	72,404	92,688
Total comprehensive income/(loss) for the year	-	-	20,284	-	(1,752,679)	(1,732,395)
Balance as on December 31, 2013	4,500,000	-	20,284	2,098,313	(418,739)	6,199,858

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	41	1,227,742	2,054,616
Finance cost paid		(1,608,527)	(2,921,456)
Taxes paid		(233,540)	(257,656)
Retirement benefits paid		(67,930)	(54,076)
Net cash outflow from operating activities		(682,255)	(1,178,572)
Cash flows from investing activities			
Purchase of property, plant and equipment		(232,139)	(416,094)
Purchase of intangible assets		(22,493)	(9,266)
Security deposits		965	(11,369)
Sale proceeds of property, plant and equipment disposed		75,006	64,648
Investments made		(1,408)	(128,096)
Investments redeemed		-	1,800,000
Sale proceeds of investment disposed		8,768	-
Short term loan to related party		-	(1,300,000)
Loans repaid by related party		-	5,815,565
Interest received on receivable from related party		1,595,798	27,229
Preference dividend received from related party		1,337,214	824
Profit on bank deposits received		28,252	26,997
Net cash inflow from investing activities		2,789,963	5,870,438
Cash flows from financing activities			
Repayment of redeemable capital		(3,125,000)	(3,825,000)
Proceeds from long term loans acquired		-	2,000,000
Proceeds from short term loan acquired from related party		3,000,000	-
Repayment of long term loans		(1,667,614)	(3,551,419)
Payment of liability against mining rights		(21,000)	-
Share deposit money refunded		-	(200,000)
Payment of finance lease liabilities		(50,326)	(88,092)
Net cash outflow from financing activities		(1,863,940)	(5,664,511)
Net increase/(decrease) in cash and cash equivalents		243,768	(972,645)
Cash and cash equivalents at the beginning of the year		(4,820,128)	(3,847,483)
Cash and cash equivalents at the end of the year	42	(4,576,360)	(4,820,128)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

Director

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

1. The company and its activities

Pakarab Fertilizers Limited ('company') was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Ordinance, 1984). The company's status changed to a non-listed public company from June 7, 2007. The company's Term Finance Certificates were listed at the Karachi Stock Exchange Limited (KSE) during the period from March 2008 to March 2013. As of December 31, 2013, the company is a non-listed public company. It is principally engaged in the manufacturing and sale of chemical fertilizers and generation and sale of Certified Emission Reductions (CERs). The address of the registered office of the company is E-110, Khayaban-e-Jinnah, Lahore Cantt while its manufacturing facility is located in Multan.

These financial statements are the separate financial statements of the company. Consolidated financial statements are prepared separately.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 1, 2013 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements except for the amendments as given below which have been fully explained in note 4.1 to these financial statements:

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasizes on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the company as it is only concerned with presentation and disclosures.

- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The company has applied this change in accounting policy in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefit plan.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention as modified by the revaluation of operating fixed assets and certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgments

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

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 4.3.

b) Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful lives and residual values of property, plant and equipment

The company reviews the useful lives and residual values 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.

d) Estimated impairment of goodwill

The company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 4.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 25).

e) Revaluation surplus on operating fixed assets

Certain operating fixed assets are carried under the revaluation model as per International Accounting Standard ('IAS') 16 'Property, Plant and Equipment' as stated in note 4.4.1. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of present market value (note 7).

f) Fair value of investment in subsidiary

The fair value of investment in subsidiary is determined by using valuation techniques. The company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The company has used discounted cash flow analysis for this purpose (note 26.1).

3.3 Change in accounting estimate

During the year, the company's management has carried out a comprehensive review of the expected pattern of consumption of the future economic benefits embodied in certain assets and as a result of this review, has revised its depreciation method for such assets. Previously, the company depreciated its plant and machinery, factory equipment (included in tools and other equipment) and catalysts on the straight line method over their estimated useful lives. Now the company charges depreciation on these assets based on the units of production method over their estimated remaining useful lives. Such a change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the loss before tax for the year ended December 31, 2013 would have been higher by Rs 656.331 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, future profits before tax would reduce by Rs 656.331 million.

Notes to and forming part of the Financial Statements
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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 years presented, except for the change in accounting policy as explained in note 4.1.

4.1 Changes in accounting policies and disclosures

4.1.1 Amendment to IAS 1 'Presentation of Financial Statements'

The primary change resulting from this amendment is that the company has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

4.1.2 Amendments in IAS 19, (Revised) 'Employee Benefits'

IAS 19 (Revised) 'Employee Benefits' amends the accounting for the company's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard, however, comparative figures have not been restated as company's management considers that the net impact of the adoption for periods upto December 31, 2012 is immaterial in the context of these financial statement. Consequently, the net impact has been accounted for in the current year ended December 31, 2013 as follow:

	Rupees in thousand
Income recognized in profit and loss account	676
Loss recognized in other comprehensive income	(3,111)
Decrease/(increase) in total comprehensive loss for the year	(2,435)

4.2 Taxation

Current

Provision of current tax is based on the taxable income for the year 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 year 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 year 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. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. 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 utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 other comprehensive income or equity in which case it is included in other comprehensive income or equity.

4.3 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 an approved funded gratuity scheme for all permanent employees. 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 the gratuity scheme was carried out as at December 31, 2013. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 12.5% per annum
- Expected rate of increase in salary level 11.5% per annum
- Expected rate of return 11% per annum

Mortality rates are assumed to be based on the SLIC (2001-2005) mortality table.

All actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains/losses were amortised using minimum recommended approach under IAS 19 "Employee Benefits".

(b) Defined contribution plan - Provident Fund

There is an approved defined contributory provident fund for all permanent employees. Equal monthly contributions are made both by the company and employees to the fund at the rate of 8.33 percent of salary for the executives and 10 percent of salary for the workers.

(c) Accumulating compensated absences

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

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

4.4 Property, plant and equipment

4.4.1 Operating fixed assets

Operating fixed assets except freehold land, buildings on freehold land, railway siding, plant and machinery and tools and other equipment are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss while buildings on freehold land, railway siding, plant and machinery and tools and other equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of present market value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Cost in relation to other operating fixed assets signifies historical cost, gains and losses transferred from other comprehensive income on qualifying cash flow hedges as referred to in note 4.13.

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to profit or loss. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the profit or loss) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to other comprehensive income. All transfers to/from surplus on revaluation of operating fixed assets are net of applicable deferred taxation.

Notes to and forming part of the Financial Statements
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Depreciation on operating fixed assets is charged to profit or loss on the following methods and rates so as to write off the depreciable amount of an asset over its estimated useful life after taking into account their residual values:

Asset category	Depreciation method	Annual depreciation rate
Buildings on freehold land	Straight line	3.99% to 5.31%
Railway siding	- do -	26%
Aircrafts	- do -	10% to 10.8%
Furniture and fixtures	- do -	10% to 26.09%
Tools and other equipment (other than factory equipment)	- do -	10% to 50%
Vehicles	- do -	20%
Plant and machinery	Units of production	
Tools and other equipment (factory equipment)	- do -	
Catalyst	- do -	

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.6).

Subsequent costs are included in the asset's carrying amount or recognised 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 income 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 recognised as an income or expense.

4.4.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified 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 operating fixed assets as and when these are available for use.

4.5 Intangible assets

4.5.1 Computer software

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.6).

4.5.2 Mining rights

Expenditure incurred to acquire mining rights is capitalised as intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Mining rights are amortised using the straight line method over a period of ten years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.6).

4.6 Impairment of non-financial assets

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

4.7 Leases

The company is the lessee.

4.7.1 Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit or loss over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 23. Depreciation of leased assets is charged to profit or loss.

4.7.2 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 or loss on a straight-line basis over the lease term.

4.8 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of the company, by Reliance Exports (Private) Limited at the date of acquisition i.e. July 14, 2005.

Goodwill is tested annually for impairment and carried at its carrying value as at June 30, 2007 less any identified impairment losses. Impairment losses on goodwill are not reversed.

4.9 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.

4.9.1 Investment in equity instruments of subsidiary

Investments in equity instruments of subsidiary are designated upon initial recognition as 'financial assets at fair value through profit or loss' or 'available-for-sale financial assets'. In case of financial assets at fair value through profit or loss, these are initially recognized at fair value while in case of available-for-sale financial assets, these are initially recognized at fair value and associated directly attributable acquisition costs. Subsequently, these are measured at fair value unless in case of available-for-sale financial assets whose fair value cannot be measured reliably, these are carried at cost. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology.

Gains and losses on subsequent re-measurements of financial assets at fair value through profit or loss are included in the profit and loss while those on re-measurement of available-for-sale financial assets are included in other comprehensive income. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss.

The company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'.

At each balance sheet date, the company reviews the carrying amounts of the investments in subsidiaries 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. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and an estimate of the terminal value of these investments. Impairment losses are recognised as expense in the profit and loss account.

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Investments in subsidiaries, that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the profit and loss account on investments in subsidiaries and associates are reversed through the profit and loss account.

4.10 Financial assets

4.10.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) 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. Derivatives are also categorised as held for trading unless they are designated as hedges. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

4.10.2 Recognition and measurement

All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale financial assets are carried at cost in case fair value cannot be measured reliably. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the company measures the investments at cost less impairment in value, if any.
The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.16.

4.11 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.12 Offsetting of financial assets and financial liabilities

Financial assets and financial 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.

4.13 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 is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in other comprehensive income are recognised in profit and loss account in the periods when the hedged item will affect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. The changes in fair value re-measurement of derivatives which the company has not designated as a hedging instrument are recognised in the profit and loss account. Trading derivatives are classified as a current asset or liability.

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4.14 Stores and spare parts

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value. The company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.15 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 weighted average cost and that relating to mid products and finished goods, annual average cost comprising cost of direct materials, labour and appropriate manufacturing overheads.
Materials in transit are stated at cost comprising invoice value plus other charges incurred thereon.

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

4.16 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.

4.17 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts/short term borrowings. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

4.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.19 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.20 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 a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.21 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.23 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

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

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

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

Dividend income and entitlement of bonus shares are recognised when the right to receive such dividend and bonus shares is established.

4.24 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

4.25 Dividend

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

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5. Issued, subscribed and paid up capital

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
2,791,260	2,791,260	Ordinary shares of Rs 10 each fully paid in cash	27,913	27,913
447,208,740	447,208,740	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,472,087	4,472,087
450,000,000	450,000,000		4,500,000	4,500,000

	2013	2012
	(Number of shares)	
Ordinary shares of the company held by associated undertakings as at year end are as follows:		
Reliance Commodities (Private) Limited	7,136,613	7,136,613
Fatima Sugar Mills Limited	71,250,558	71,250,558
Fazal Cloth Mills Limited	25,790,610	25,790,610
Arif Habib Corporation Limited	135,000,000	135,000,000
	239,177,781	239,177,781

	2013	2012
	(Rupees in thousand)	
6. Reserves		
Capital:		
- Fair value reserve	20,284	-
Revenue:		
- General reserve	2,098,313	2,098,313
- (Accumulated loss)/un-appropriated profit	(418,739)	1,333,940
	1,679,574	3,432,253
	1,699,858	3,432,253

7. Surplus on revaluation of operating fixed assets

This represents surplus over book value resulting from the revaluation of freehold land, buildings on freehold land, plant and machinery, railway siding and tools and other equipment, adjusted by incremental depreciation arising out of revaluation of abovementioned assets except freehold land. The valuation was carried out by independent valuers, M/s Pirsons Chemical Engineering (Private) Limited, on September 30, 2011 under current market price/appraisal methods wherever applicable for the respective assets. Surplus on revaluation of operating fixed assets can be utilized by the company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

The revaluation surplus relating to abovementioned operating fixed assets excluding freehold land is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on the abovementioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets. The movement in revaluation surplus is as follows:

		2013	2012
		(Rupees in thousand)	
Opening balance - net of tax		11,964,238	11,942,294
Deferred tax on revaluation surplus	- note 13	-	185,845
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(79,902)	(163,901)
Closing balance - net of tax	- note 7.1	11,884,336	11,964,238

7.1 Includes surplus on revaluation of freehold land amounting to Rs 3,855.69 million (2012: Rs 3,855.69 million).

			2013	2012
			(Rupees in thousand)	
8.	**Long term finances - secured**			
	Redeemable capital	- note 8.1	-	1,625,000
	Long term loans	- note 8.2	1,466,071	2,656,946
	Syndicated term finance	- note 8.3	-	277,333
			1,466,071	4,559,279
8.1	**Redeemable capital**			
	This is composed of:			
	Listed Term Finance Certificates	- note 8.1.1	-	1,500,000
	Privately Placed Term Finance Certificates	- note 8.1.2	1,625,000	3,250,000
			1,625,000	4,750,000
	Less: Current portion shown under current liabilities	- note 14	1,625,000	3,125,000
			-	1,625,000
8.1.1	**Listed Term Finance Certificates**			
	Opening balance		1,500,000	3,700,000
	Less: Redeemed during the year		1,500,000	2,200,000
			-	1,500,000
	Less: Current portion shown under current liabilities		-	1,500,000
			-	-

The effective markup rate charged during the year on the outstanding balance was 12.03% per annum.

		2013	2012
		(Rupees in thousand)	
8.1.2	**Privately Placed Term Finance Certificates (PPTFCs)**		
	Opening balance	3,250,000	4,875,000
	Less: Redeemed during the year	1,625,000	1,625,000
		1,625,000	3,250,000
	Less: Current portion shown under current liabilities	1,625,000	1,625,000
		-	1,625,000

On December 15, 2009, the company converted the bridge finance of Rs 6,500 million from Habib Bank Limited (HBL) and National Bank of Pakistan (NBP) to Term Finance Certificates having unit value of Rs 5,000 each by way of private placement. As of December 31, 2013, HBL and NBP hold 400,000 units and 757,070 units respectively while the remaining 142,930 units are held by other private investors.

Terms of redemption

The tenure of the PPTFCs is from December 16, 2009 to September 1, 2014. The PPTFCs are redeemable in six semi-annual installments of Rs 812.5 million ending on September 1, 2014. The company has an option to redeem in full (Call Option) or part (Partial Call Option) of the outstanding amount without any premium by giving written notice to the Trustee at least thirty days prior to the option date. The Call Option is exercisable only on mark up payment dates.

Rate of return

The return on PPTFCs is payable semi-annually and is calculated on the outstanding balance at the rate of six months Karachi Inter Bank Offered Rate (KIBOR) plus 2.5% per annum. The effective mark up rate charged during the year on the outstanding balance ranges from 11.97% to 12.32% per annum.

Trustee

In order to protect the interests of the PPTFC holders, HBL was appointed as Trustee under a trust deed dated September 01, 2009. The Trustee is paid a fee of Rs 0.75 million per annum.

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In case the company defaults on any of its obligations, the Trustee may enforce the company's obligations in accordance with the terms of the trust deed. The proceeds of any such enforcements shall be distributed to the PPTFC holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the PPTFCs.

Security

The PPTFCs are secured by a registered first ranking pari passu charge over all present and future fixed assets of the company excluding land and buildings and lamont boiler for nitric acid, the Cessna aircraft, Clean Development Mechanism (CDM) project and carbon dioxide recovery plant/liquefaction plant.

			2013	2012
			(Rupees in thousand)	
8.2	**Long term loans**			
	These have been obtained from the following financial institutions:			
	MCB Bank Limited	- note 8.2.1	344,444	688,890
	Standard Chartered Bank (Pakistan) Limited - Loan 1	- note 8.2.2	100,000	500,000
	Standard Chartered Bank (Pakistan) Limited - Loan 2	- note 8.2.3	500,000	833,334
	Faysal Bank Limited	- note 8.2.4	500,000	500,000
	National Bank of Pakistan	- note 8.2.5	-	187,500
	Pakistan Kuwait Investment Company (Private) Limited	- note 8.2.6	312,500	437,500
	PAIR Investment Company Limited	- note 8.2.7	500,000	500,000
	Soneri Bank Limited	- note 8.2.8	400,000	400,000
			2,656,944	4,047,224
	Less: Current portion shown under current liabilities	- note 14	1,190,873	1,390,278
			1,466,071	2,656,946

8.2.1 This represents a term loan facility and the balance is repayable in two semi annual installments of Rs 172.222 million each ending on October 23, 2014. Markup is payable semi-annually at the rate of six months KIBOR plus 0.65% per annum on Rs 266.667 million, while on the remaining Rs 77.777 million, it is payable at the rate of six months KIBOR plus 3% per annum. The effective mark up rate charged during the year on the outstanding balance of Rs 266.667 million ranges from 10.23% to 10.44% per annum, while on the outstanding balance of Rs 77.777 million, the effective markup rate charged during the year ranges from 12.58% to 12.79% per annum. It is secured by a registered first pari passu charge on all present and future fixed assets of the company excluding the assets comprising the Clean Development Mechanism (CDM) project, the Cessna aircraft and the Lamont boiler for nitric acid.

8.2.2 This represents a term loan facility on musharika basis for capital expenditure. The balance is repayable in a single installment of Rs 100 million on March 15, 2014. Mark up is payable quarterly at the rate of one month KIBOR plus 1.90% per annum. The effective markup rate charged during the year on the outstanding balance ranges from 10.70% to 11.70% per annum. The loan is secured by a registered charge over fixed assets comprising the Clean Development Mechanism (CDM).

8.2.3 This represents a term loan facility on musharika basis for capital expenditure. The balance is repayable in six quarterly installments of Rs 83.333 million each ending on May 17, 2015. Mark up is payable monthly at the rate of one month KIBOR plus 1.75% per annum. The effective markup rate charged during the year on the outstanding balance ranges from 10.54% to 11.42% per annum. The loan is secured by a registered first pari passu charge over the fixed assets of the company including land, building, plant and machinery.

8.2.4 This represents a term finance facility of Rs 500 million obtained to finance the company's capacity expansion. It is repayable in six equal semi-annual installments of Rs 83.333 million each commencing December 14, 2014 and carries mark up at the rate of six months KIBOR plus 1.70% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 11.17% to 11.53% per annum. It is secured by a pari passu charge on all present and future movable fixed assets excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Cessna and Bombardier Challenger aircrafts, the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/ liquefaction plant and the land and buildings of the excluded assets.

8.2.5 This has been repaid during the year. The effective markup rate charged during the year on the outstanding balance ranges from 11.87% to 12.03% per annum.

8.2.6 This represents term finance facility to finance the company's capacity expansion. The balance is repayable in five equal semi-annual installments of Rs 62.5 million each ending on June 29, 2016 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 11.34% to 11.87% per annum. It is secured by a pari passu charge on all present and future movable fixed assets excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Cessna aircraft, the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories.

8.2.7 This represents term finance facility of Rs 500 million for balance sheet restructuring and company's capital expenditure requirements. It is repayable in seven equal semi-annual installments of Rs 71.428 million each commencing August 28, 2014 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 11.32% to 12.77% per annum. It is secured by a first pari passu charge on the company's present and future fixed assets.

8.2.8 This represents term finance facility of Rs 400 million to meet the company's capital expenditure/repayment of expensive debt. It is repayable in six equal semi-annual installments of Rs 66.667 million each commencing May 2, 2014 and carries mark up at the rate of six months KIBOR plus 1.75% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 10.81% to 11.11% per annum. It is secured by a first pari passu charge on the company's present and future fixed assets including land and building and machinery excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Cessna aircraft, the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories and the land and buildings related to these assets.

			2013	2012
			(Rupees in thousand)	
8.3	**Syndicated term finance**			
	This has been obtained from a consortium of the following financial institutions:			
	National Bank of Pakistan		133,167	266,333
	United Bank Limited		119,047	238,095
	Faysal Bank Limited		25,119	50,239
			277,333	554,667
	Less: Current portion shown under current liabilities	- note 14	277,333	277,334
			-	277,333

It represents a syndicated term finance facility (STFF) to finance equity investment/debt financing in Fatima Fertilizer Company Limited ('FATIMA'), a related party. The balance is repayable in two equal semi annual installments of Rs 138.667 million each ending on August 26, 2014. Mark up is payable semi-annually at the rate of six months KIBOR plus 2.5% per annum with no floor and no cap. The effective markup rate charged during the year on the outstanding balance ranges from 11.57% to 13.03% per annum. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the company including plant and machinery, fixtures, fittings, vehicles, tools and equipment but excluding immovable property, land and buildings, Lamont Boiler for nitric acid, Cessna aircraft, the assets comprising of the Clean Development Mechanism (CDM) project and the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, its spares, tools and accessories.

9. Import bill payable - secured

This represents deferred payment letter of credit established with Allied Bank Limited for import of an aircraft from Bombardier Inc., Canada. It is interest free and is secured through an exclusive hypothecation charge over the aircraft with all accessories, spares and parts installed or which may be installed in future.

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		2013	2012
		(Rupees in thousand)	
Import bill payable [USD 24 million (2012: USD 24 million)]		2,524,800	2,330,400
Less: Current portion included in trade and other payables		1,424,800	842,000
		1,100,000	1,488,400

10. Liabilities against assets subject to finance lease

		2013	2012
Present value of minimum lease payments	- note 10.1	38,811	113,189
Less: Current portion shown under current liabilities	- note 14	38,811	63,511
		-	49,678

The minimum lease payments have been discounted at an implicit interest rate of KIBOR plus 2% to 2.5% reset at the beginning of every three or six months depending upon the terms of the lease agreement. The implicit interest rate used during the period to arrive at the present value of minimum lease payments ranges from 5.96% to 15.99%. Since the implicit interest rate is linked with KIBOR so the amount of minimum lease payments and finance charge may vary from period to period. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are to be borne by the company. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum lease payments	Future finance cost	Present value of lease liability 2013	Present value of lease liability 2012
	(Rupees in thousand)			
Not later than one year	39,812	1,001	38,811	63,511
Later than one year and not later than five years	-	-	-	49,678
	39,812	1,001	38,811	113,189

10.1 These include a balance of Rs 0.028 million (2012: Rs 0.08 million) of a related party, Summit Bank Limited.

11. Long term deposits

These represent interest free security deposits from customers and carriage contractors and are repayable on cancellation/ withdrawal of the dealership or on cessation of the business with the company respectively.

12. Deferred liabilities

		2013	2012
		(Rupees in thousand)	
Accumulating compensated absences	- note 12.1	86,320	84,150
Retirement benefits - gratuity fund	- note 12.2	40,152	30,690
		126,472	114,840

		2013	2012
		(Rupees in thousand)	
12.1	**Accumulating compensated absences**		
	Opening balance	84,150	66,001
	Provision for the year	20,100	26,568
		104,250	92,569
	Less: Payments made during the year	17,930	8,419
	Closing balance	86,320	84,150
12.2	**Gratuity fund**		
	The amounts recognised in the balance sheet are as follows:		
	Present value of defined benefit obligation	129,962	115,230
	Fair value of plan assets	(89,810)	(82,105)
	Unrecognised actuarial losses	-	(2,435)
	Liability as at year end	40,152	30,690
	Opening net liability	30,690	24,683
	Charge to profit and loss account	23,163	21,746
	Charge to related party	9,491	8,944
	Net remeasurements for the year	7,498	-
	Contribution by the company	(30,690)	(24,683)
	Liability as at year end	40,152	30,690
	The movement in the present value of defined benefit obligation is as follows:		
	Opening present value of defined benefit obligation	115,230	88,126
	Service cost	29,685	27,102
	Interest cost	12,675	11,016
	Benefits paid to out-going members during the year	(30,719)	(14,727)
	Experience loss	(3,110)	3,713
	Remeasurements on obligation	6,201	-
	Present value of defined benefit obligation as at year end	129,962	115,230
	The movement in fair value of plan assets is as follows:		
	Opening fair value	82,105	64,824
	Expected return on plan assets	9,031	8,104
	Company contributions	30,690	24,683
	Benefits paid to out-going members during the year	(30,719)	(14,727)
	Experience loss	-	(779)
	Remeasurements on fair value of plan assets	(1,297)	-
	Fair value as at year end	89,810	82,105
	Plan assets are comprised as follows:		
	Mixed funds	74,400	56,520
	Cash	15,410	25,585
		89,810	82,105

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The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2013	2012	2011	2010	2009
			(Rupees in thousand)		
Present value of defined benefit obligation	129,962	115,230	88,126	53,709	38,481
Fair value of plan assets	89,810	82,105	64,824	45,505	29,959
Loss	(40,152)	(33,125)	(23,302)	(8,204)	(8,522)
Experience adjustment on obligation	5%	3%	6%	2%	-21%
Experience adjustment on plan assets	-1.44%	-0.95%	0.89%	0.21%	2%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumption (Rupees in thousand)	Decrease in assumption
Discount rate	1%	118,995	142,813
Salary growth rate	1%	142,813	118,811

	2013	2012
	(Rupees in thousand)	
13. Deferred taxation		
The liability for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation	10,001,487	9,912,589
Accumulating compensated absences	(30,212)	(29,453)
Provision for doubtful receivable	(3,119)	(3,119)
Post retirement medical benefits and other allowances payable	(4,030)	(4,030)
Assets subject to finance lease	4,137	2,778
Interest receivable	5,433	553,828
Preference dividend receivable	-	468,025
Unrealised recovery of chemical catalyst	56,957	50,799
Investment in subsidiary	7,220	-
Goodwill	964,416	836,155
Unused tax losses	(951,783)	(793,934)
Minimum tax available for carry forward	(117,895)	(70,897)
	9,932,611	10,922,741

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward under section 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable.

		2013	2012
		(Rupees in thousand)	
The gross movement in deferred tax liability during the year is as follows:			
Opening balance		10,922,741	10,967,290
Deferred tax on revaluation surplus	- note 7	-	(185,845)
Charged to other comprehensive income		7,220	-
(Credited)/charged to profit and loss account	- note 40	(997,350)	141,296
Closing balance		9,932,611	10,922,741

14. Current portion of long term liabilities

		2013	2012
Long term finances - secured:			
- Redeemable capital	- note 8.1	1,625,000	3,125,000
- Long term loans	- note 8.2	1,190,873	1,390,278
- Syndicated term finance	- note 8.3	277,333	277,334
Liabilities against assets subject to finance lease	- note 10	38,811	63,511
Payable against mining rights	- note 14.1	-	21,000
		3,132,017	4,877,123

14.1 This represents interest free amount payable to Director General, Mines and Minerals, Government of Khyber Pakhtunkhwa ('GOKP') in respect of mining rights acquired for extraction of rock phosphate from a block of area in District Abbottabad for a ten years period ending on August 11, 2019. This has been paid during the current year.

15. This represents a short term loan facility of Rs 3 billion obtained during the year from FATIMA, a related party, to meet the company's working capital requirements and repayment of long term liabilities. It carries mark up at the rate of six months KIBOR plus 2.12% per annum or average borrowing cost of FATIMA which ever is higher, payable semi-annually. The effective markup rate charged during the year on the outstanding balance was 11.21% per annum. It has been secured by providing a cash cheque of Rs 3 billion renewable after every six months accompanied with ranking charge on the company's present and future fixed assets including plant and machinery, fixtures, fittings, vehicles, tools and equipment, but excluding immovable property and land and building and lamont boiler for nitric acid, cessna aircraft and the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories, wherever situated together with all documents of title thereto and sale proceeds thereof and with the benefit of all contracts entered by the company with the suppliers of such fixed assets to be imported or purchased by the company.

16. Short term borrowings - secured

		2013	2012
		(Rupees in thousand)	
Running finances	- note 16.1	2,767,195	3,815,060
Term finances	- note 16.2	1,969,000	1,999,025
		4,736,195	5,814,085

16.1 Running finances

Short term running finance facilities available from commercial banks under mark-up arrangements amount to Rs 5,797 million (2012: Rs 8,100 million). The rates of mark-up range from 10.27% to 13.95% on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade as referred to in note 28.1 and registered hypothecation charge on current assets of the company. Included in the above is a running finance of Rs 400 million (2012: Rs 400 million) from a related party, Summit Bank Limited.

16.2 Term finances

Term finance facilities available from various commercial banks under profit arrangements amount to Rs 2,099 million (2012: Rs 2,804 million). The rates of profit range from 10.44% to 12.27% on the outstanding balance or part thereof. The aggregate term finances are secured against first pari passu charge over all current assets of the company.

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16.3 Letters of credit and guarantees

Of the aggregate facility of Rs 7,650 million (2012: Rs 8,214 million) for opening letters of credit and Rs 100 million (2012: Rs 2,350 million) for guarantees, the amount utilised at December 31, 2013 was Nil (2012: Nil) and Nil (2012: Rs 17 million) respectively. The facility for opening letters of credit is secured against import documents and registered joint pari passu charge over current assets whereas facility for guarantees is secured against pledge of stock-in-trade as referred to in note 28.1.

17. Reliance Exports (Private) Limited ('REL'), under the terms and conditions stated in the 'Share Purchase Agreement' (the Agreement), acquired 100% shares in the company on July 14, 2005 through the process of privatization. Under the terms of the Agreement, the purchase consideration, in addition to lump sum cash payment, included a further payment equivalent to 90% of the company's claim of tax refund aggregating to Rs 2,814.511 million for the assessment years 1993-94, 1995-96 through 2002-2003 and tax years 2003 and 2004. The amount is payable to the Privatization Commission in the event of and at the time of cash receipt of the refund from the concerned tax authorities.

The amount recognized in these financial statements as payable to Privatization Commission is net off Rs 240.119 million which, according to the management of the company, has already been withdrawn by the Previous Members as part of the dividend distribution for the year ended June 30, 2005. The management of the company feels that the Agreement as presently worded, if executed, would result into double payment of the same amount to the Privatization Commission/ Previous Members, firstly, as part of the profits for the year ended June 30, 2005 (computed without recognition of the tax expense for the years for which when the refund is issued, an amount equivalent to 90% would be the right of the Privatization Commission/Previous Members) and secondly, at the time the refund is received from the tax authorities when an amount equivalent to 90% of such refund is paid off to the Privatization Commission, as agreed. The management of the company feels that such double payment is neither the intention nor warranted under the specific provisions of the Agreement.

Upon dissolution of REL and its amalgamation with the company on July 14, 2005, this liability was recognised in the books of the company being the surviving entity upon REL's amalgamation with the company in accordance with the Scheme of Arrangement for Amalgamation.

18. This represents the derivative cross currency swaps the company had entered into with various banks. These have matured during the year resulting in a gain of Rs 2.217 million that has been recognised in the profit and loss account.

			2013	**2012**
			(Rupees in thousand)	
19.	**Trade and other payables**			
	Trade creditors	- note 19.1	1,602,941	1,345,804
	Sui gas bill payable	- note 19.2	6,093	112,228
	Security deposits		21,969	30,160
	Accrued liabilities		857,798	375,682
	Workers' profit participation fund	- note 19.3	727,628	753,108
	Workers' welfare fund		244,046	244,046
	Customers' balances		343,352	126,282
	Bank guarantees discounted		-	66,348
	Due to related party		-	133,000
	Due to employees' provident fund trust		6,055	6,084
	Withholding tax payable		7,569	13,999
	Excise duty payable		1,724	1,724
	Sales tax payable	- note 19.4	149,940	-
	Electricity duty payable		19,506	16,481
			3,988,621	3,224,946

19.1 Includes an amount of Rs 0.05 million (2012: Rs 0.05 million) payable to FATIMA, a related party.

19.2 This amount is payable to Sui Northern Gas Pipelines Limited ('SNGPL'), a related party against purchase of gas.

		2013	2012
		(Rupees in thousand)	
19.3	**Workers' profit participation fund**		
	Opening balance	753,108	803,274
	Less: Payments made during the year	25,480	50,166
	Closing balance	727,628	753,108

The company has an agreement with the Workers Welfare Fund ('WWF'), Ministry of Labour and Manpower, Government of Pakistan whereby the balance amount of Workers' Profit Participation Fund ('WPPF') remaining after deducting the workers' portion of WPPF that is required to be deposited in the WWF, would be used for establishing a hospital for the workers as per the mechanism defined in that agreement.

19.4 Includes Rs 134.022 million which primarily represents the input sales tax paid by the company in respect of raw materials acquired before June 11, 2008 on which date fertilizer products manufactured by the company were exempted from levy of sales tax through notification SRO 535(I)/2008. The amount stood refundable to the company there being no output sales tax liability remaining payable on fertilizer products manufactured by the company against which such input sales tax was adjustable. The company's claim of refund on this account was not entertained by Federal Board of Revenue ('FBR') on the premise that since subject raw materials were subsequently consumed in manufacture of a product exempt from levy of sales tax, claim was not in accordance with the relevant provisions of the Sales Tax Act, 1990.

Company's management being aggrieved with the interpretation advanced by FBR on the issue has preferred a writ petition before the Lahore High Court, which has not yet been disposed off. Since company's management considers that claim of refund is completely in accordance with relevant statutory framework and expects relief from appellate authorities on this account, it considers that the receivable amount was unimpaired at the balance sheet date.

			2013	2012
			(Rupees in thousand)	
20.	**Accrued finance cost**			
	Accrued mark-up on:			
	- redeemable capital - secured		9,011	79,805
	- long term loans - secured		39,945	61,202
	- syndicated term finance - secured		12,204	26,051
	- short term borrowings - secured	- note 20.1	128,277	155,451
	- short term loan from related party - secured	- note 20.2	147,148	-
	Acceptance commission on letter of credit		-	43,164
			336,585	365,673

20.1 Includes an amount of Rs 10.906 million (2012: Rs 11.629 million) payable to Summit Bank Limited, a related party.

20.2 This amount is payable to FATIMA.

21. Contingencies and commitments

21.1 Contingencies

(i) The company has netted off an amount of Rs 240.119 million from the amount payable to the Privatization Commission, as part of purchase consideration, at the time and in the event the refund is received from the tax authorities. In case, the company's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the company is contingently liable to the aforesaid amount of Rs 240.119 million. In case, the amount becomes payable, the corresponding effect would be reflected in the computation of goodwill.

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(ii) The company has issued following guarantees in favour of:

- Sui Northern Gas Pipelines Limited against gas sale amounting to Rs 10 million (2012: Rs 10 million).

- Pakistan State Oil Company Limited against fuel for aircraft amounting to Rs 7 million (2012: Rs 7 million).

- Meezan Bank Limited as security against finance obtained by its subsidiary, Reliance Sacks Limited.

(iii) Indemnity bonds amounting to Nil (2012: Rs 152.7 million) issued to the Customs authorities in favour of The President of Islamic Republic of Pakistan under SRO 489(I)/2000 for the value of goods exported and to be re-imported.

(iv) As at June 30, 2004, the company had investment of 140,000 ordinary shares of Rs 10 each valuing Rs 100,000 in National Fertilizer Marketing Limited, being the associated company on that date. On May 20, 2005, this investment was transferred to National Fertilizer Corporation of Pakistan (Private) Limited by the management of the company. However, the new buyer, Reliance Exports (Private) Limited filed an application before Privatization Commission challenging this transfer on the grounds that such transfer had been carried out against the terms and conditions of the bid documents. In case of a positive outcome to the application, this investment would be re-instated.

(v) An amount of Rs 129.169 million was withdrawn by the previous members of the company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement. Out of the aggregate amount, Rs 89.39 million represents the value of certain catalysts recovered in consequence of clean down operations of the plant prior to undertaking the process of privatization, which was accounted for as income in the financial statements for the year ended June 30, 2005 in the light of applicable financial reporting framework.

The management of the company feels that notwithstanding the applicability of the financial reporting framework, on the financial statements for the year ended June 30, 2005, the amount was not distributable as part of dividend for that year in view of the clear understanding behind the execution of the Agreement as categorically confirmed, in writing, by the Privatization Commission prior to signing of the Agreement. Similarly, the balance amount of Rs 39.779 million is considered to be dividend distribution out of the then available reserves which was also not distributable to the previous members in terms of other covenants of the Agreement.

The company has filed a claim for the recovery of the aforesaid aggregate amount on the grounds that in the present form, the distribution has been made out of the accumulated reserves, for the years up to June 30, 2004, which, under the specific provisions of the Agreement were not distributable to the previous members of the company. In case of a positive outcome to the company's claim, the excess dividend withdrawn by the previous members of the company would be recovered.

(vi) Through a show cause notice, the department raised the issue of short payment of output sales tax on supplies of the company's fertilizer product, Calcium Ammonium Nitrate ('CAN') for the period from April 18, 2011 to December 31, 2011 involving a principal sales tax demand of Rs 500 million. Such issue has been raised on the grounds that notification SRO 15(I)/2006, providing for levy of sales tax on the basis of 'notified price' of CAN, was withdrawn through notification SRO 313(I)/ 2011 dated April 18, 2011 and hence, company was legally required to recover output sales tax on supplies of CAN on the basis of actual consideration received there against. The company has impugned the vires of such notice through institution of a constitutional petition before the Lahore High Court, inter alia, on the grounds that (i) pending the disposal of application earlier filed with the Federal Board of Revenue by the company under section 65B of the Sales Tax Act, 1990, on this matter, instant proceedings initiated by department lack the legal sanctity; and (ii) that inadvertence of charging the sales tax on the basis of notified price was not attributable to any mala fide on company's part. In view of the fact that management considers company's stance to be based on meritorious grounds and hence expects a favourable decision on the matter by Lahore High Court, no provision on this account has been made in these financial statements.

(vii) For assessment years 1993-94 and 1995-96 through 2002-2003 and for tax years 2003 through 2005, the company, in view of the position taken by the tax authorities that the income of the company is chargeable to tax on the basis of 'net income', had provided for in the financial statements the tax liability on net income basis which aggregated to Rs 5,223.343 million. Tax liabilities admitted in respective returns of total income in respect of these assessment/ tax years, however, aggregated to Rs 1,947.671 million being the liabilities leviable under the Presumptive Tax Regime ('PTR'), considered by the management to be applicable in respect of company's income from sale of own manufactured fertilizer products.

The Appellate Tribunal Inland Revenue ('ATIR') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-03 upheld the company's position as taken in respective returns of total income and consequently, management reversed the excess provisions aggregating to Rs 3,275.673 million on the strength of such judgments. ATIR's decisions in respect of certain assessment years have also been upheld by the Lahore High Court while disposing departmental appeals against respective orders of ATIR. Income tax department has statedly agitated the issue further before Supreme Court of Pakistan, which is pending adjudication.

In view of the favourable disposal of the matter up to the level of High Court, management of the company feels that the decision of the apex court would also be in the favour of the company and hence in these financial statements, tax liabilities in respect of above referred assessment/tax years have been provided on the basis that company's income during such years was taxable under PTR. In case, the apex court decides the matter otherwise, amount aggregating to Rs 3,275.673 million will have to be recognized as tax expense in respect of such assessment/tax years.

(viii) Included in trade debts is an amount of Rs 18.877 million (2012: Rs 18.877 million) which has not been acknowledged as debts by its customers due to a dispute regarding the discount on the product's price. The company's customers had collectively filed an appeal regarding the price dispute before the Civil Court, Multan, which decided the case in favour of the company's customers. The company preferred an appeal before the District and Sessions Court, Multan which set aside the order of the Civil Court. The company's customers filed a revised petition before the Lahore High Court against the order of the District and Sessions Court, which is pending for adjudication. Based on the advice of the company's legal counsel, the company's management considers that there are meritorious grounds to defend the company's stance and hence, no provision has been made in these financial statements on this account.

(ix) Claims against the company not acknowledged as debts Rs 23.051 million (2012: Rs 23.051 million). Provision has not been made in these financial statements as management is confident that it will not materialize.

21.2 Commitments in respect of

(i) Contracts for capital expenditure Nil (2012: Rs 39.717 million).

(ii) Letters of credit other than for capital expenditure Rs 48.870 million (2012: Rs 128.189 million).

(iii) Purchase orders aggregating to Nil (2012: Rs 5.656 million) were placed and letters of credit were established subsequently.

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

	2013	2012
	(Rupees in thousand)	
Not later than one year	51,821	57,019
Later than one year and not later than five years	52,389	109,669
	104,210	166,688

22. Property, plant and equipment

		2013	2012
Operating fixed assets	- note 22.1	37,052,138	36,841,325
Capital work-in-progress	- note 22.2	61,718	448,931
		37,113,856	37,290,256

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

22.1 Operating fixed assets

(Rupees in thousand)

	Freehold land	Building on freehold land	Railway siding	Plant and machinery	Aircrafts	Furniture and fixtures	Tools and other equipment	Vehicles	Catalyst	Total
COST										
Balance as at January 01, 2012	4,767,634	1,928,551	36,800	28,066,369	2,778,905	64,622	622,372	243,508	102,102	38,610,863
Additions during the year	-	124,652	-	23,432	4,304	4,923	54,121	2,578	115,210	329,220
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	117,858	-	117,858
Disposals during the year	-	-	-	(6,759)	-	-	-	(123,909)	-	(130,668)
Balance as at December 31, 2012	4,767,634	2,053,203	36,800	28,083,042	2,783,209	69,545	676,493	240,035	217,312	38,927,273
Balance as at January 01, 2013	4,767,634	2,053,203	36,800	28,083,042	2,783,209	69,545	676,493	240,035	217,312	38,927,273
Additions during the year	-	4,061	-	569,750	-	914	44,627	-	-	619,352
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	91,715	-	91,715
Disposals during the year	-	-	-	-	-	-	(10)	(125,380)	-	(125,390)
Balance as at December 31, 2013	4,767,634	2,057,264	36,800	28,652,792	2,783,209	70,459	721,110	206,370	217,312	39,512,950
DEPRECIATION										
Balance as at January 01, 2012	-	34,080	3,201	217,319	425,163	2,294	59,494	177,149	48,561	967,261
Charge for the year - note 22.1.3	-	101,661	9,600	698,441	215,368	7,859	43,363	28,126	23,610	1,128,028
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	74,917	-	74,917
Charge on disposals	-	-	-	(91)	-	-	-	(84,167)	-	(84,258)
Balance as at December 31, 2012	-	135,741	12,801	915,669	640,531	10,153	102,857	196,025	72,171	2,085,948
Balance as at January 01, 2013	-	135,741	12,801	915,669	640,531	10,153	102,857	196,025	72,171	2,085,948
Charge for the year - note 22.1.3	-	106,396	9,600	80,698	128,026	8,216	45,577	23,304	2,523	404,340
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	63,280	-	63,280
Charge on disposals	-	-	-	-	-	-	-	(92,756)	-	(92,756)
Balance as at December 31, 2013	-	242,137	22,401	996,367	768,557	18,369	148,434	189,853	74,694	2,460,812
Book value as at December 31, 2012	4,767,634	1,917,462	23,999	27,167,373	2,142,678	59,392	573,636	44,010	145,141	36,841,325
Book value as at December 31, 2013	4,767,634	1,815,127	14,399	27,656,425	2,014,652	52,090	572,676	16,517	142,618	37,052,138

22.1.1 Freehold land, buildings on freehold land, railway siding, plant and machinery and tools and other equipment were revalued by an independent valuer M/s Pirsons Chemical Engineering (Private) Limited on September 30, 2011 on current market value basis. The revaluation surplus net of deferred tax was credited to surplus on revaluation of operating fixed assets. Had there been no revaluation, the carrying amounts of the following classes of assets would have been as follows:

	2013	2012
	(Rupees in thousand)	
Freehold land	3,387,787	3,387,787
Buildings on freehold land	1,421,839	1,509,190
Railway siding	1,223	6,312
Plant and machinery	16,188,081	15,653,706
Tools and other equipment	354,512	340,641
	21,353,442	20,897,636

22.1.2 Included in plant and machinery are assets costing Rs 34.613 million which are installed at the manufacturing facilities of the company's customers namely Iceberg Gas Company, Coca-Cola Beverages Pakistan Limited and Shamim & Company (Private) Limited as these assets are used for sales to these customers.

		2013	2012
		(Rupees in thousand)	
22.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	- note 34	185,022	829,836
Administrative expenses	- note 35	215,192	296,217
Selling and distribution expenses	- note 36	4,126	1,975
		404,340	1,128,028

		2013	2012
		(Rupees in thousand)	
22.2 Capital work-in-progress			
Plant and machinery		51,795	365,163
Civil works		4,775	2,478
Advances against purchase of plant and machinery - considered good		3,835	80,158
Others		1,313	1,132
		61,718	448,931

23. Assets subject to finance lease

These represent vehicles leased by the company.

		2013	2012
COST			
Opening balance		253,594	371,452
Transfer to operating fixed assets during the year		(91,715)	(117,858)
Closing balance		161,879	253,594
DEPRECIATION			
Opening balance		132,468	142,070
Charge for the year	- note 23.1	42,060	65,315
Transfer to operating fixed assets during the year		(63,280)	(74,917)
Closing balance		111,248	132,468
Closing book value		50,631	121,126
Annual depreciation rate%		20	20

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

		2013	2012
Cost of sales	- note 34	9,009	15,299
Administrative expenses	- note 35	19,870	32,891
Selling and distribution expenses	- note 36	13,181	17,125
		42,060	65,315

23.2 Vehicles of Rs 13.987 million (2012: Rs 42.902 million) are in possession and use of FATIMA, a related party on rental basis as referred to in note 39.2 to these financial statements.

24. Intangible assets

	Computer software	Mining rights	Total
	(Rupees in thousand)		
COST			
Balance as at January 01, 2012	1,827	210,000	211,827
Additions during the year	9,266	-	9,266
Balance as at December 31, 2012	11,093	210,000	221,093
Balance as at January 01, 2013	11,093	210,000	221,093
Additions during the year	22,493	-	22,493
Balance as at December 31, 2013	33,586	210,000	243,586

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for the year ended December 31, 2013

		Computer software	Mining rights	Total
		(Rupees in thousand)		
AMORTIZATION				
Balance as at January 01, 2012		1,827	49,000	50,827
Charge for the year	- note 24.2	193	21,000	21,193
Balance as at December 31, 2012		2,020	70,000	72,020
Balance as at January 01, 2013		2,020	70,000	72,020
Charge for the year	- note 24.2	6,159	21,000	27,159
Balance as at December 31, 2013		8,179	91,000	99,179
Book value as at December 31, 2012		9,073	140,000	149,073
Book value as at December 31, 2013		25,407	119,000	144,407
Annual amortization rate%		25	10	

24.1 Mining rights represent rights acquired for extraction of rock phosphate from a block of area in District Abbottabad for a ten years period ending on August 11, 2019. The aforesaid area is in the possession and control of Pakistan Mining Company Limited ('PMCL'), a related party, which provides rock phosphate extraction services to the company as per the Services Agreement.

		2013	2012
		(Rupees in thousand)	
24.2 The amortization charge for the year has been allocated as follows:			
Cost of sales (included in raw materials consumed)		21,000	21,000
Administrative expenses	- note 35	6,159	193
		27,159	21,193

25. Goodwill

This represents goodwill on amalgamation of REL and the company.

Impairment testing of goodwill has been carried out at the overall business unit level. The recoverable amount of the Cash Generating Unit has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond the five year period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the fertiliser industry. The recoverable amount calculated based on value in use exceeded carrying value by Rs 1,884.826 million. A long term/terminal growth rate of 0.06% or a rise in discount rate to 22.03% would remove the remaining headroom.

The key assumptions used in value-in-use calculations are as follows:

Budgeted annual operating days (average of next five years)		246
Long term/terminal growth rate		3%
Discount rate		20.53%
Carrying amount of the Cash Generating Unit	Rupees in thousand	40,614,057
Recoverable amount	Rupees in thousand	42,498,883

The above cash flow projections are principally based on the assumption that gas supply would resume to the company. During the previous and current year, the company has faced excessive gas shortages due to which the operations have remained suspended for major part of the years resulting into losses for the years. However, during the current year, the Government of Pakistan ('GOP') has approved long term gas supply arrangements from dedicated sources for fertilizer plants and subsequent to year end, GOP has announced to resume gas supply to the fertilizer sector from the existing gas supply network, based on which management feels that the current gas shortage is of a temporary nature and the gas supply will resume in the near future which would result in increased production as compared to previous and current years thereby leading to future profits.

		2013	2012
		(Rupees in thousand)	
26. Long term investments			
Available for sale:			
Subsidiary - unquoted			
Reliance Sacks Limited (incorporated in Pakistan)			
16,863,273 (2012: 2,350,000) fully paid ordinary shares of Rs 10 each			
Equity held 100% (2012: 100%)			
Book value per share Rs 11.163 (2012: Rs 9.469)	- note 26.1	196,137	23,500
Held to maturity:			
- Other	- note 26.2	34,409	30,681
Advance against purchase of shares in:			
- Subsidiary, Reliance Sacks Limited		-	145,133
- Related party, Multan Real Estate Company (Private) Limited		64,004	62,596
		294,550	261,910

26.1 Investment in Reliance Sacks Limited - at fair value

	2013	2012
At cost	168,633	23,500
Add: Cumulative fair value gain recognised	27,504	-
	196,137	23,500

This represents investment in the equity of Reliance Sacks Limited ('RSL') which was incorporated for the purpose of implementing a project comprising the establishment and operation of production facility of polypropylene sacks to be used in packing of fertilizers. Since RSL's ordinary shares are not listed, an external investment advisor engaged by the company has estimated a fair value of Rs 11.63 per ordinary share as at December 31, 2013 through a valuation technique based on discounted cash flow analysis of RSL. The significant assumptions used in this valuation technique are as follows:

- Discount rate used for first three years 20.53% per annum and for fourth year onwards 22.43% per annum
- Terminal growth rate 4% per annum

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on total equity as at December 31, 2013 would be Rs 31.522 million lower.

If the terminal growth rate decreases by 1% with all other variables held constant, the impact on total equity as at December 31, 2013 would be Rs 16.507 million lower.

26.2 Investment - Other

This represents Defence Saving Certificates issued for a period of ten years, which will mature on September 11, 2019. Yield to maturity on these certificates is 12.15%. These certificates have been pledged as security with the Director General, Mines & Minerals, Government of Khyber Pakhtunkhwa as per the terms of the mining agreement as referred to in note 14.1.

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			2013	2012
			(Rupees in thousand)	
27.	**Stores and spare parts**			
	Chemicals and catalysts	- note 27.1	1,103,254	1,158,793
	Stores		130,562	141,384
	Spare parts [including in transit Rs 8.609 million [(2012: Rs 86.915 million)]		1,746,758	1,799,153
			2,980,574	3,099,330
	Less: Provision for obsolete items		76,224	76,224
		- note 27.2	2,904,350	3,023,106

27.1 Included in chemicals and catalysts is platinum, rhodium and palladium of Rs 69.337 million (2012: Rs 69.337 million) which is in the possession of Johnson Matthey Public Limited Company, United Kingdom on behalf of the company for refining purposes.

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

			2013	2012
			(Rupees in thousand)	
28.	**Stock-in-trade**			
	Raw materials	- note 28.2	709,267	1,630,244
	Packing materials		41,464	51,962
	Mid products		40,519	38,080
	Finished goods:			
	- Own manufactured:			
	Fertilizers		9,074	8,521
	Emission reductions	- note 28.3	11,317	5,064
			20,391	13,585
	- Fertilizer purchased for resale		18	-
			811,659	1,733,871

28.1 Raw materials and finished goods amounting to Rs 366.350 million (2012: Rs 981.903 million) are pledged with lenders as security against short term borrowings as referred to in note 16.

28.2 Includes rock phosphate amounting to Rs 42.068 million (2012: 10.567 million) and Rs 103.389 million (2012: Rs 279.863 million) which is in the possession of related parties, PMCL and FATIMA respectively. The rock phophate in possession of PMCL is due to the reason explained in note 24.1 to these financial statements and the rock phosphate in possession of FATIMA is due to the reason that it has been provided on loan basis.

28.3 This represents emission reductions costing Rs 34.169 million carried at their Net Realizable Value ('NRV') amounting to Rs 11.317 million. The NRV write down expense of Rs 22.852 million has been charged to cost of sales.

			2013	2012
			(Rupees in thousand)	
29.	**Trade debts**			
	Considered good:			
	- Secured (by way of bank guarantees and security deposits)		27,031	103,121
	- Unsecured	- note 29.2	126,132	467,871
			153,163	570,992

29.1 These are in the normal course of business and certain debts carry interest ranging from 1% to 9% (2012: 1% to 9%) per annum.

29.2 Includes an amount of Nil (2012: Rs 12.525 million - neither past due nor impaired) receivable from Fatima Sugar Mills Limited, a related party.

		2013	2012
		(Rupees in thousand)	
30. Advances, deposits, prepayments and other receivables			
Advances - considered good:			
- To employees	- note 30.1	4,797	16,687
- To suppliers	- note 30.2	36,439	71,372
Trade deposits		100	100
Prepayments		49,067	94,222
Due from related party:			
- Interest receivable on long term loans		-	1,477,634
- Interest receivable on preference dividend receivable		-	94,017
- Preference dividend receivable		-	1,337,214
Interest receivable on bank deposits		2,114	1,035
Balances with statutory authorities:			
- Sales tax			
- considered good		-	80,593
- considered doubtful		8,911	8,911
		8,911	89,504
- Income tax recoverable		2,916,119	2,830,258
- Custom duty recoverable		9,811	9,811
Letters of credit - margins, deposits, opening charges etc.		1,419	1,531
Security deposits	- note 30.3	125,711	17,884
Other receivables - considered good		28,403	9,870
		3,182,891	6,051,139
Less: Provision for doubtful receivable		8,911	8,911
		3,173,980	6,042,228

30.1 Included in advances to employees are amounts due from executives of Rs 1.138 million (2012: Rs 6.90 million).

30.2 Includes an amount of Rs 4.097 million (2012: Rs 2.984 million) advance to Reliance Sacks Limited, subsidiary, against supply of polypropylene sacks.

30.3 Includes an amount of Rs 100 million (2012: Nil) deposited with Sindh High Court, in respect of suit filed by the company in relation to proposed acquisition of DH Fertilizers Limited.

		2013	2012
		(Rupees in thousand)	
31. Short term investments			
Assets at fair value through profit or loss:			
Wateen Telecom Limited Nil (2012: 2,000,000) fully paid ordinary shares of Rs 10 each		-	5,960
		-	5,960
Investment held for distribution to members		-	1,078,200
		-	1,084,160
32. Cash and bank balances			
At banks on:			
- Saving accounts	- note 32.1 & 32.2	64,125	698,633
- Current accounts	- note 32.2	91,147	290,226
		155,272	988,859
In hand		4,563	5,098
		159,835	993,957

32.1 Profit on balances in saving accounts ranges from 5% to 10% (2012: 5% to 10%) per annum.

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32.2 Included in saving accounts is an amount of Rs 0.256 million (2012: Rs 17.637 million) which bears mark up at the rate of 9% (2012: 9%) per annum and included in current accounts is an amount of Rs 3.614 million (2012: Rs 4.049 million), both placed with Summit Bank Limited, a related party.

			2013	2012
			(Rupees in thousand)	
33.	**Sales**			
	Fertilizer products:			
	- Own manufactured		5,064,733	8,772,572
	- Purchased for resale		3,522,521	21,497
			8,587,254	8,794,069
	Certified Emission Reductions (CERs)		2,009	223,310
	Mid products		241,684	520,500
	Rock phosphate		153,373	122,560
	Processing income	- note 33.1	-	12,551
			397,066	878,921
			8,984,320	9,672,990
	Less:			
	Sales tax		1,253,943	1,255,351
	Sales incentive		302,130	259,836
	Discount		-	21,645
			1,556,073	1,536,832
			7,428,247	8,136,158

33.1 This represents income from processing services rendered for a related party, FATIMA.

			2013	2012
34.	**Cost of sales**			
	Raw material consumed	- note 34.1 & 34.2	1,674,353	2,194,693
	Packing material consumed		58,862	98,669
			1,733,215	2,293,362
	Salaries, wages and other benefits	- note 34.3	563,514	691,704
	Fuel and power	- note 34.4	643,876	770,201
	Chemicals and catalysts consumed		107,778	42,431
	Spare parts consumed		111,676	183,705
	Stores consumed		36,558	66,489
	Repairs and maintenance		296,077	170,391
	Insurance		272,892	282,609
	Depreciation on operating fixed assets	- note 22.1.3	185,022	829,836
	Depreciation on assets subject to finance lease	- note 23.1	9,009	15,299
	Toll manufacturing charges and freight	- note 34.5	706,520	-
	Others	- note 34.6	39,457	90,449
			4,705,594	5,436,476
	Opening stock of mid products		38,080	16,964
	Closing stock of mid products		(40,519)	(38,080)
			(2,439)	(21,116)
	Cost of goods manufactured		4,703,155	5,415,360
	Opening stock of finished goods		13,585	803,235
	Closing stock of finished goods		(20,391)	(13,585)
			(6,806)	789,650
	Cost of goods sold - own manufactured		4,696,349	6,205,010
	Cost of goods sold - purchased for resale	- note 34.7	2,446,318	16,299
			7,142,667	6,221,309

34.1 Includes feed gas consumed of Rs 576.356 million (2012: Rs 1,065.407 million) purchased from SNGPL, a related party.

34.2 Includes expenses of Rs 103.144 million (2012: Rs 113.503 million) for extraction of rock phosphate by Pakistan Mining Company Limited, a related party, as explained in note 24.1 to these financial statements.

	2013	2012
	(Rupees in thousand)	
34.3 Salaries, wages and other benefits		
Salaries, wages and other benefits include following in respect of gratuity:		
Current service cost	15,618	14,840
Interest cost for the year	6,668	6,031
Expected return on plan assets	(4,751)	(4,435)
Past service cost	-	369
	17,535	16,805

In addition to the above, salaries, wages and other benefits include Rs 14.176 million (2012: Rs 16.221 million) and Rs 8.447 million (2012: Rs 17.607 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

34.4 Includes fuel gas consumed of Rs 571.3 million (2012: Rs 715.540 million) purchased from SNGPL, a related party.

34.5 This includes processing services of Rs 679.291 million (2012: Nil) availed from FATIMA, a related party.

34.6 Includes operating lease rentals amounting to Rs 15.192 million (2012: Rs 14.234 million).

34.7 This includes fertilizer purchased from FATIMA, a related party amounting to Nil (2012: Rs 16.299 million).

		2013	2012
		(Rupees in thousand)	
35. Administrative expenses			
Salaries, wages and other benefits	- note 35.1	320,827	375,062
Travelling and conveyance		17,361	70,623
Telephone, telex and postage		17,815	15,462
Stationery, printing and periodicals		8,484	6,016
Rent, rates and taxes	- note 35.2	32,648	22,356
Repairs and maintenance		34,949	46,496
Aircraft operating expenses	- note 35.3	75,830	89,281
Insurance		14,364	12,926
Legal and professional charges		44,610	47,197
Vehicle running expenses		6,455	8,659
Entertainment		3,404	5,401
Advertisement		1,003	2,986
Depreciation on operating fixed assets	- note 22.1.3	215,192	296,217
Depreciation on assets subject to finance lease	- note 23.1	19,870	32,891
Amortization on intangible assets	- note 24.2	6,159	193
CDM administrative expenses		2,151	7,202
Others	- note 35.4	66,405	125,639
	- note 35.5	887,527	1,164,607

Notes to and forming part of the Financial Statements
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		2013	2012
		(Rupees in thousand)	
35.1	**Salaries, wages and other benefits**		
	Salaries, wages and other benefits include following in respect of gratuity:		
	Current service cost	5,602	5,623
	Interest cost for the year	2,392	2,286
	Expected return on plan assets	(1,849)	(1,681)
	Actuarial loss	-	140
	Less: amount charged to related party	(1,694)	(1,595)
		4,451	4,773

In addition to the above, salaries, wages and other benefits include Rs 9.091 million (2012: Rs 7.181 million) and Rs 6.913 million (2012: Rs 5.509 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

35.2 Includes operating lease rentals amounting to Rs 14.967 million (2012: Rs 8 million).

35.3 Includes expenses of Rs 28.253 million (2012: Rs 34.152 million) for flying and maintenance services of the company's aircrafts by Air One (Private) Limited, a related party as per the Services Agreement.

35.4 Includes expenses of Rs 9.416 million (2012: Rs 38.532 million) for research and development activities of the extracted rock phosphate, which has been carried out by a foreign consultant.

35.5 Includes amount of Rs 172.913 million (2012: Rs 114.929 million) which represents common costs charged to the company by FATIMA, a related party as per the Expense Sharing Agreement. Also included is an amount of Rs 114.603 million (2012: Rs 133.771 million) which represents common costs charged by the company to FATIMA, a related party as per the Expense Sharing Agreement.

			2013	2012
			(Rupees in thousand)	
36.	**Selling and distribution expenses**			
	Salaries, wages and other benefits	- note 36.1	18,811	33,970
	Travelling and conveyance		1,408	4,167
	Telephone, telex and postage		1,437	3,120
	Stationery, printing and periodicals		284	976
	Rent, rates and taxes	- note 36.2	7,157	12,723
	Repairs and maintenance		793	2,635
	Insurance		706	955
	Vehicle running expenses		1,760	4,237
	Entertainment		293	1,507
	Advertisement and sale promotion		78,738	67,138
	Depreciation on operating fixed assets	- note 22.1.3	4,126	1,975
	Depreciation on assets subject to finance lease	- note 23.1	13,181	17,125
	Transportation and freight		319,387	120,060
	Utilities		171	455
	Technical services		92	1,005
	CERs share of Mitsubishi Corporation, Japan		44,988	25,026
	Others		2,073	1,976
		- note 36.3	495,405	299,050

		2013	2012
		(Rupees in thousand)	
36.1	**Salaries, wages and other benefits**		
	Salaries, wages and other benefits include following in respect of gratuity:		
	Current service cost	7,992	6,637
	Interest cost for the year	3,413	2,698
	Expected return on plan assets	(2,432)	(1,984)
	Past service cost	-	165
	Less: amount charged to related party	(7,796)	(7,348)
		1,177	168

In addition to the above, salaries, wages and other benefits include Rs 8.234 million (2012: Rs 7.742 million) and Rs 4.739 million (2012: Rs 3.999 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

36.2 Includes operating lease rentals amounting to Rs 17.502 million (2012: Rs 12.523 million).

36.3 Includes amount of Rs 27.045 million (2012: Rs 36.781 million) which represents common costs charged to the company by its related party, FATIMA as per the Expense Sharing Agreement. Also included is an amount of Rs 345.887 million (2012: Rs 425.150 million) which represents common costs charged by the company to its related party, FATIMA as per the Expense Sharing Agreement.

			2013	2012
			(Rupees in thousand)	
37.	**Finance cost**			
	Interest/mark up on:			
	- Listed TFCs - secured		28,686	329,864
	- PPTFCs - secured		331,551	633,526
	- Finance leases		3,845	12,478
	- Share deposit money from related party	- note 37.1	-	14,583
	- Short term borrowings - secured	- note 37.2	578,432	712,789
	- Short term borrowing from related party	- note 37.3	-	17,429
	- Long term loans - secured		383,436	589,664
	- Syndicated term finance - secured		47,203	230,502
	- Short term loan from related party - secured	- note 37.3	147,148	-
	Loan arrangement fees and other charges		6,072	22,385
	Acceptance commission on letter of credit		44,369	37,378
	Bank charges		8,697	9,445
			1,579,439	2,610,043

37.1 This relates to Fazal Cloth Mills Limited.

37.2 Includes interest expense of Rs 42.860 million (2012: Rs 51.835 million) on account of running finance facility availed from Summit Bank Limited, a related party.

37.3 This relates to FATIMA.

			2013	2012
			(Rupees in thousand)	
38.	**Other expenses**			
	Workers' welfare fund		-	68,084
	Donations	- note 38.1	152,900	10,290
	Exchange loss		228,768	139,757
			381,668	218,131

38.1 Includes Rs 150 million (2012: 5.640 million) donated to Mukhtar A. Sheikh Trust, a related party.

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			2013	2012
			(Rupees in thousand)	
39.	**Other income**			
	Income from financial assets:			
	Income on bank deposits	- note 39.1	29,331	28,032
	Income from FATIMA, a related party:			
	- Interest income on long term loan (from STFF)		-	221,792
	- Interest income on long term loan		-	313,515
	- Interest income on short term loan		-	27,229
	- Interest income on preference dividend receivable		24,147	94,017
	- Accrued dividend on preference shares		-	194,067
	Gain on conversion of preference shares		-	455,400
	Unrealised gain on investment held to maturity		3,728	3,332
	Mark-up on credit sale of fertilizers		388	5,956
	Gain on disposal of short-term investment		2,808	-
	Gain on derivative financial instruments		2,217	2,929
			62,619	1,346,269
	Income from non-financial assets:			
	Rental income	- note 39.2	45,517	46,587
	Profit on disposal of operating fixed assets		42,372	18,238
	Scrap sales and sundry income		57,300	24,387
	Gain on recovery of chemical catalysts		-	9,468
	Provisions and unclaimed balances written back		3,861	81,444
	Income from biological laboratory		3,481	2,173
	Excess insurance premium refunded		45,431	-
			197,962	182,297
			260,581	1,528,566

39.1 Includes interest income of Rs 13.282 million (2012: Rs 14.520 million) on account of saving account with Summit Bank Limited, a related party.

39.2 Includes rental income of Rs 31.511 million (2012: Rs 31.741 million) for vehicles in use of FATIMA, a related party as referred to in note 23.2 to these financial statements.

			2013	2012
			(Rupees in thousand)	
40.	**Taxation**			
	Current			
	- For the year		24,555	73,828
	- Prior years		-	(870,872)
			24,555	(797,044)
	Deferred	- note 13	(997,350)	141,296
			(972,795)	(655,748)

The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 on turnover from local sales. In addition to this, it includes tax on rental income which is full and final discharge of company's tax liability in respect of income arising from such source.

	2013	2012
	% age	% age
40.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	(1.91)	(0.40)
Exempt for tax purposes	(0.66)	6.08
Not taxable under the law	0.04	15.96
Chargeable at lower rate of tax	0.41	1.27
Chargeable at different rate of tax	-	(0.08)
Allowable as tax credit	2.04	0.26
Effect of change in prior years' tax	(0.15)	15.13
	(0.23)	38.22
Average effective tax rate	34.77	73.22

41. Cash generated from operations		
Loss before taxation	(2,797,878)	(895,536)
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	404,340	1,128,028
- Depreciation on leased assets	42,060	65,315
- Amortization on intangible assets	27,159	21,193
- Retirement benefits accrued	72,035	79,120
- Profit on disposal of operating fixed assets	(42,372)	(18,238)
- Provisions and unclaimed balances written back	(3,861)	(81,444)
- Finance cost	1,579,439	2,610,043
- Income on bank deposits	(29,331)	(28,032)
- Interest income on loans to related party	(24,147)	(656,553)
- Loss on re-measurement of investments	-	47,120
- Gain on conversion of preference shares	-	(455,400)
- Dividend income on preference shares of related party	-	(194,067)
- Unrealised gain on investment held to maturity	(3,728)	(3,332)
- Unrealised gain on recovery of catalyst	-	-
- Exchange loss	228,768	118,387
- Gain on derivative financial instruments	(2,217)	(2,929)
- Gain on disposal of investment	(2,808)	-
Profit before working capital changes	(552,541)	1,733,675
Effect on cash flow due to working capital changes		
- Decrease/(increase) in stores and spare parts	118,895	(508,225)
- Decrease in stock-in-trade	922,212	323,492
- Decrease in trade debts	417,829	347,194
- Decrease in advances, deposits prepayments and other receivables	55,950	403,988
- Decrease in trade and other payables	265,397	(245,508)
	1,780,283	320,941
	1,227,742	2,054,616

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		2013	2012
		(Rupees in thousand)	
42. Cash and cash equivalents			
Short term borrowings	- note 16	(4,736,195)	(5,814,085)
Cash and bank balances	- note 32	159,835	993,957
		(4,576,360)	(4,820,128)

43. Remuneration of Chief Executive, Directors and Executives

43.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the company is as follows:

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	-	11,909	6,000	17,672	248,811	229,725
Housing rent	-	5,311	-	5,307	96,937	105,459
Utilities	-	4,164	-	2,637	21,542	23,434
Conveyance	-	-	240	-	21,542	23,456
Medical expenses	-	21	-	8	10,074	12,425
Leave passage	-	-	1,000	-	34,901	36,536
Club expenses	-	3,804	-	535	-	-
Others	-	-	-	-	6,650	6,921
	-	25,209	7,240	26,159	440,457	437,956
Post employment benefits						
Contribution to provident and gratuity funds	-	-	-	-	36,862	40,666
Other long term benefits						
Accumulating compensated absences	-	-	-	-	35,334	33,222
	-	25,209	7,240	26,159	512,653	511,844
Number of persons	1	1	2	2	202	199

43.2 The company also provides the chief executive, directors and some of its executives with company maintained cars, travel facilities and club membership.

44. Transactions with related parties

The related parties comprise subsidiary, associated undertakings, other related parties, key management personnel and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 43. Significant related party transactions have been disclosed in respective notes in these financial statements except for the following:

Relationship with the company	Nature of transactions	2013 (Rupees in thousand)	2012 (Rupees in thousand)
i. Subsidiary	Purchase of goods	92,169	54,201
ii. Associated undertakings	Sale of goods and services	178,758	339,224
	Purchase of goods	51,780	-
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	65,707	61,834

45. Capacity and production

		2013	2012
Urea			
Rated production capacity	M. Tons	92,400	92,400
Actual urea produced	M. Tons	2,262	-
The low production of urea is due to shortage of natural gas and periodical maintenance.			
Nitro Phosphate (NP)			
Rated production capacity	M. Tons	304,500	304,500
Actual NP produced	M. Tons	48,382	75,732
The low production of NP is due to shortage of natural gas and periodical maintenance.			
Calcium Ammonium Nitrate (CAN)			
Rated production capacity	M. Tons	450,000	450,000
Actual CAN produced	M. Tons	55,419	100,302
The low production of CAN is due to shortage of natural gas and periodical maintenance.			

46. Disclosures relating to Provident Fund

The company operates two provident funds:

(i) Employees' Provident Fund Trust Lahore

(ii) Employees' Provident Fund Trust Multan

The following information is based on the audited financial statements of the Funds as at June 30, 2013 and 2012:

	2013 (Rupees in thousand)	2012 (Rupees in thousand)
Size of the Fund - total assets	297,775	236,914
Cost of investments made	220,290	197,964
Percentage of investments made	79%	88%
Fair value of investments	235,980	207,910
Break up of investments		
Special accounts in a scheduled bank	202,290	173,964
Mutual funds - listed	33,690	33,946

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	2013	2012
	% age of size of the Fund	
Break up of investments		
Special accounts in a scheduled bank	68%	73%
Mutual funds - listed	11%	14%

Investments out of Provident Funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

47. Financial risk management

47.1 Financial risk factors

The company is exposed 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the company's Board of Directors (the Board). The company's finance department evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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 from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the company's foreign exchange risk exposure is restricted to bank balances and amounts receivable from/payable to the foreign entities.

At December 31, 2013 if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on pre tax loss for the year would have been Rs 120.402 million (2012: Rs 103.504 million) higher/lower, mainly as a result of exchange losses/gains on translation of USD denominated financial instruments.

At December 31, 2013 if the Rupee had weakened/strengthened by 5% against the Euro with all other variables held constant, the impact on pre tax loss for the year would have been Rs 2.591 million (2012: Rs 19.795 million) lower/higher, mainly as a result of exchange gains/losses on translation of Euro denominated financial instruments.

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 materially exposed to equity price risk since there are no significant investments in equity instruments traded in the market either classified as available-for-sale or at fair value through profit or loss at the reporting date. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

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's interest rate risk arises from long term finances, lease liabilities, short term borrowings, derivative financial instruments and dividend receivable on preference shares. Borrowings obtained and loans provided 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 significant interest bearing financial instruments was:

	2013	2012
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Investment	34,409	30,681
Trade debts	26,140	101,503
Bank balances - saving accounts	64,125	698,633
	124,674	830,817
Financial liabilities	-	-
Net exposure	124,674	830,817
Floating rate instruments:		
Financial assets		
Dividend receivable on preference shares	-	1,337,214
Financial liabilities		
Long term finances	4,559,277	9,351,891
Liabilities against assets subject to finance lease	38,811	113,189
Short term loan from related party	3,000,000	-
Short term borrowings	4,736,195	5,814,085
Derivative financial instruments	-	714
	12,334,283	15,279,879
Net exposure	(12,334,283)	(13,942,665)

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 or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher/lower with all other variables held constant, pre tax loss for the year would have been Rs 123.345 million (2012: Rs 152.687 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate instruments.

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b) **Credit risk**

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the company arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored and major sales to customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2013	2012
	(Rupees in thousand)	
Long term investments	294,550	261,910
Security deposits	36,218	60,409
Trade debts	98,992	104,097
Advances, deposits and other receivables	157,647	124,337
Short term investments	-	1,084,160
Cash and bank balances	159,835	993,957
	747,242	2,628,870

The company's exposure to credit risk is limited to the carrying amount of unsecured trade receivables and bank balances. The ageing analysis of trade receivable balances is as follows:

	2013	2012
	(Rupees in thousand)	
Neither past due nor impaired (upto 90 days)	98,992	104,097
Past due but not impaired:		
91 to 180 days	19,737	19,985
181 to 270 days	8,349	166,823
271 to 360 days	5,281	97,943
above 360 days	20,804	182,144
	54,171	466,895
	153,163	570,992

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from the particular customer. 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. The provision is written off by the company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

The credit quality of company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating	2013	2012
	Short term	Long term	Agency	(Rupees in thousand)	
Al Baraka Islamic Bank Limited	A1	A	PACRA	235	10,892
Allied Bank Limited	A1+	AA+	PACRA	37	604,087
Summit Bank Limited	A-3	A-	JCR-VIS	3,869	21,686
Askari Bank Limited	A1+	AA	PACRA	3	3
Bank Alfalah Limited	A1+	AA	PACRA	5	62
Dubai Islamic Bank Limited	A-1	A	JCR-VIS	73	73
Faysal Bank Limited	A1+	AA	PACRA	3,345	11,799
Habib Bank Limited	A-1+	AAA	JCR-VIS	75,537	250,549
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	28	100
MCB Bank Limited	A1+	AAA	PACRA	9,284	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	4,125	5,472
National Bank of Pakistan	A-1+	AAA	JCR-VIS	468	3,827
Silkbank Limited	A-2	A-	JCR-VIS	-	1
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	4,673	11,248
United Bank Limited	A-1+	AA+	JCR-VIS	46,123	44,978
Zarai Taraqiati Bank Limited	A-2	A	JCR-VIS	56	55
Bank Islami Pakistan Limited	A1	A	PACRA	421	19,141
Sindh Bank Limited	A-1+	AA-	JCR-VIS	5,635	3,827
Burj Bank Limited	A-1	A	JCR-VIS	1,355	1,059
				155,272	988,859

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's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the company's reputation.

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The following are the contractual maturities of financial liabilities as at December 31, 2013 and December 31, 2012:

At December 31, 2013

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	4,559,277	3,093,206	1,466,071	-
Import bill payable	2,524,800	1,424,800	1,100,000	-
Liabilities against assets subject to finance lease	38,811	38,811	-	-
Long term deposits	47,145	-	-	47,145
Short term loan from related party	3,000,000	3,000,000	-	-
Short term borrowings	4,736,195	4,736,195	-	-
Trade and other payables	2,658,247	2,658,247	-	-
Accrued finance cost	336,585	336,585	-	-
	17,901,060	15,287,844	2,566,071	47,145

At December 31, 2012

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	9,351,891	4,792,612	4,559,279	-
Import bill payable	2,330,400	842,000	1,488,400	-
Liabilities against assets subject to finance lease	113,189	63,511	49,678	-
Payable against mining rights	21,000	21,000	-	-
Long term deposits	46,180	-	-	46,180
Short term borrowings	5,814,085	5,814,085	-	-
Derivative financial instruments	714	714		
Trade and other payables	1,996,874	1,996,874	-	-
Accrued finance cost	365,673	365,673	-	-
Dividend payable	1,078,200	1,078,200	-	-
	21,118,206	14,974,669	6,097,357	46,180

47.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2013.

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Available-for-sale				
Ordinary shares of RSL	-	-	196,137	196,137
Total assets	-	-	196,137	196,137
Total liabilities	-	-	-	-

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2012.

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
At fair value through profit or loss				
Ordinary shares of Wateen Telecom Limited	5,960	-	-	5,960
Available-for-sale				
Ordinary shares of RSL	-	-	23,500	23,500
Total assets	5,960	-	23,500	29,460
At fair value through profit or loss				
Derivative financial instruments	-	714	-	714
Total liabilities	-	714	-	714

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

The carrying value less impairment provision of trade and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

47.3 Financial instruments by categories

As at December 31, 2013	Available for sale	Assets at fair value through profit or loss	Held to maturity	Loans and receivables	Total
	(Rupees in thousand)				
Assets as per balance sheet					
Security deposits	-	-	-	36,218	36,218
Trade debts	-	-	-	153,163	153,163
Advances, deposits and other receivables	-	-	-	156,228	156,228
Investments	196,137	-	34,409	64,004	294,550
Cash and bank balances	-	-	-	159,835	159,835
	196,137	-	34,409	569,448	799,994

As at December 31, 2013	Financial liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term finances	4,559,277
Import bill payable	2,524,800
Liabilities against assets subject to finance lease	38,811
Long term deposits	47,145
Short term loan from related party	3,000,000
Short term borrowings	4,736,195
Trade and other payables	2,658,247
Accrued finance cost	336,585
	17,901,060

As at December 31, 2012	Available for sale	Assets at fair value through profit or loss	Held to maturity	Loans and receivables	Total
	(Rupees in thousand)				
Assets as per balance sheet					
Security deposits	-	-	-	60,409	60,409
Trade debts	-	-	-	570,992	570,992
Advances, deposits and other receivables	-	-	-	3,199,564	3,199,564
Investments	23,500	5,960	30,681	207,729	267,870
Cash and bank balances	-	-	-	993,957	993,957
	23,500	5,960	30,681	5,032,651	5,092,792

At December 31, 2012	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	(Rupees in thousand)		
Liabilities as per balance sheet			
Long term finances	-	9,351,891	9,351,891
Import bill payable	-	2,330,400	2,330,400
Liabilities against assets subject to finance lease	-	113,189	113,189
Payable against mining rights	-	21,000	21,000
Long term deposits	-	46,180	46,180
Short term borrowings	-	5,814,085	5,814,085
Derivative financial instruments	714	-	714
Trade and other payables	-	1,996,874	1,996,874
Accrued finance cost	-	365,673	365,673
Dividend payable	-	1,078,200	1,078,200
	714	21,117,492	21,118,206

47.4 Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital includes equity as shown in the balance sheet plus net debt. The gearing ratios as at December 31, 2013 and 2012 were as follows:

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

		2013	2012
		(Rupees in thousand)	
Borrowings - note 8, 14 & 15		7,559,277	9,351,891
Less: Cash and cash equivalents - note 42		(4,576,360)	(4,820,128)
Net debt		12,135,637	14,172,019
Total equity (includes surplus on revaluation of operating fixed assets)		18,084,193	19,896,491
Gearing ratio	**Percentage**	40%	42%

		2013	2012
48.	**Number of employees**		
	Total number of employees as at December 31	766	873
	Average number of employees during the year	825	913

49. Date of authorization for issue

These financial statements were authorized for issue on March 27, 2014 by the Board of Directors of the company.

Chief Executive

Director

Consolidated Financial Statements of

Pakarab Fertilizers Limited

for the year ended December 31, 2013

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakarab Fertilizers Limited (the holding company) and its subsidiary company (hereinafter referred to as 'the Group') as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pakarab Fertilizers Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

As stated in note 4.1 to the annexed consolidated financial statements, the group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards.

In our opinion, the consolidated financial statements present fairly the financial position of Pakarab Fertilizers Limited and its subsidiary company (the Group) as at December 31, 2013 and the results of their operations for the year then ended.

A.F. Ferguson & Co.
Chartered Accountants
Lahore: March 27, 2014

Engagement Partner: Muhammad Masood

Consolidated Balance Sheet
as at December 31, 2013

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 1,000,000,000 (2012: 1,000,000,000) ordinary shares of Rs 10 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital 450,000,000 (2012: 450,000,000) ordinary shares of Rs 10 each	5	4,500,000	4,500,000
Reserves	6	1,695,066	3,423,729
		6,195,066	7,923,729
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	7	11,884,336	11,964,238
NON-CURRENT LIABILITIES			
Long term finances - secured	8	1,608,500	4,772,924
Import bill payable - secured	9	1,100,000	1,488,400
Liabilities against assets subject to finance lease	10	-	49,678
Long term deposits	11	47,145	46,180
Deferred liabilities	12	126,472	114,840
Deferred taxation	13	9,927,247	10,915,238
		12,809,364	17,387,260
CURRENT LIABILITIES			
Current portion of long term liabilities	14	3,203,231	4,912,729
Short term loan from related party - secured	15	3,000,000	-
Short term borrowings - secured	16	5,096,459	6,006,224
Payable to Privatization Commission of Pakistan	17	2,197,901	2,197,901
Derivative financial instruments	18	-	714
Trade and other payables	19	4,043,199	3,373,049
Accrued finance cost	20	346,031	371,016
Dividend payable		-	1,078,200
Bank overdraft	21	126	-
		17,886,947	17,939,833
CONTINGENCIES AND COMMITMENTS	22		
		48,775,713	55,215,060

The annexed notes 1 to 51 form an integral part of these financial statements.

Chief Executive

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	23	37,555,023	37,710,362
Assets subject to finance lease	24	50,631	121,126
Intangible assets	25	144,407	149,073
Goodwill	26	3,305,163	3,305,163
Long term investments	27	98,413	93,277
Security deposits		36,218	60,409
		41,189,855	41,439,410
CURRENT ASSETS			
Stores and spare parts	28	2,910,523	3,026,075
Stock-in-trade	29	957,883	1,906,583
Trade debts	30	334,526	674,446
Advances, deposits, prepayments and other receivables	31	3,217,525	6,089,944
Short term investments	32	-	1,084,160
Cash and bank balances	33	165,401	994,442
		7,585,858	13,775,650
		48,775,713	55,215,060

Director

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

	Note	2013	2012
		(Rupees in thousand)	
Sales	34	8,699,023	8,136,158
Cost of sales	35	(8,282,877)	(6,220,877)
Gross profit		416,146	1,915,281
Administrative expenses	36	(896,799)	(1,174,276)
Selling and distribution expenses	37	(507,812)	(299,050)
		(988,465)	441,955
Finance cost	38	(1,639,646)	(2,611,036)
Other expenses	39	(386,940)	(218,131)
		(3,015,051)	(2,387,212)
Other income	40	260,581	1,528,566
Loss on remeasurement of financial assets at fair value through profit or loss		-	(47,120)
Loss before taxation		(2,754,470)	(905,766)
Taxation	41	953,403	660,311
Loss for the year		(1,801,067)	(245,455)
Loss attributable to owners of the parent		(1,801,067)	(245,455)

The annexed notes 1 to 51 form an integral part of these financial statements.

Chief Executive

Director

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

	2013	2012
	(Rupees in thousand)	
Loss for the year	(1,801,067)	(245,455)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of operating fixed assets realised through incremental depreciation charged on related assets for the year	79,902	163,901
Remeasurement of post retirement benefit obligation	(7,498)	-
	72,404	163,901
Other comprehensive income - net of tax	72,404	163,901
Total comprehensive loss for the year - net of tax	(1,728,663)	(81,554)
Attributable to owners of the parent	(1,728,663)	(81,554)

The annexed notes 1 to 51 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2013

(Rupees in thousand)

	Attributable to the owners of the parent				
			Revenue reserves		
	Share capital	Share deposit money	General reserve	Unappropriated profit / (accumulated loss)	Total
Balance as on January 1, 2012	4,500,000	200,000	2,098,313	3,612,870	10,411,183
Loss for the year	-	-	-	(245,455)	(245,455)
Other comprehensive income for the year - net of tax	-	-	-	163,901	163,901
Total comprehensive loss for the year	-	-	-	(81,554)	(81,554)
Share deposit money refunded	-	(200,000)	-	-	(200,000)
Specie dividend to owners of the parent	-	-	-	(2,205,900)	(2,205,900)
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	(200,000)	-	(2,205,900)	(2,405,900)
Balance as on December 31, 2012	4,500,000	-	2,098,313	1,325,416	7,923,729
Loss for the year	-	-	-	(1,801,067)	(1,801,067)
Other comprehensive income for the year - net of tax	-	-	-	72,404	72,404
Total comprehensive loss for the year	-	-	-	(1,728,663)	(1,728,663)
Balance as on December 31, 2013	4,500,000	-	2,098,313	(403,247)	6,195,066

The annexed notes 1 to 51 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Cash Flow Statement
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	42	1,220,212	1,823,525
Finance cost paid		(1,664,631)	(2,917,841)
Taxes paid		(256,469)	(260,259)
Retirement benefits paid		(67,930)	(32,661)
Net cash outflow from operating activities		(768,818)	(1,387,236)
Cash flows from investing activities			
Purchase of property, plant and equipment		(273,138)	(533,302)
Purchase of intangible assets		(22,493)	(1,843)
Security deposits		965	(11,369)
Sale proceeds of property, plant and equipment disposed		75,006	64,648
Investments made		(1,408)	(62,596)
Investments redeemed		-	1,800,000
Sale proceeds of investment disposed		8,768	-
Short term loan to related party		-	(1,300,000)
Loans repaid by related party		-	5,815,565
Interest received on receivable from related party		1,595,798	27,229
Preference dividend received from related party		1,337,214	824
Profit on bank deposits received		28,252	26,997
Net cash inflow from investing activities		2,748,964	5,826,153
Cash flows from financing activities			
Repayment of redeemable capital		(3,125,000)	(3,825,000)
Proceeds from long term loans acquired		-	2,061,281
Proceeds from short term loan acquired from related party		3,000,000	-
Repayment of long term loans		(1,703,222)	(3,551,418)
Payment of liability against mining rights		(21,000)	-
Share deposit money refunded		-	(200,000)
Payment of finance lease liabilities		(50,326)	(88,092)
Net cash outflow from financing activities		(1,899,548)	(5,603,229)
Net increase/(decrease) in cash and cash equivalents		80,598	(1,164,312)
Cash and cash equivalents at the beginning of the year		(5,011,782)	(3,847,470)
Cash and cash equivalents at the end of the year	43	(4,931,184)	(5,011,782)

The annexed notes 1 to 51 form an integral part of these financial statements.

Chief Executive

Director

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

1. Legal status and nature of business

Pakarab Fertilizers Limited (the 'parent company') on April 12, 2011, incorporated a wholly owned subsidiary company, Reliance Sacks Limited (together, the 'group'). The parent company is principally engaged in the manufacturing and sale of chemical fertilizers and generation and sale of Certified Emission Reductions (hereinafter collectively also referred to as the 'fertilizers segment') while the subsidiary company is principally engaged in the manufacturing and sale of polypropylene sacks, cloth and liners (hereinafter also referred to as the 'sacks segment'). The sacks segment commenced commercial operations from January 2013.

2. Basis of preparation

2.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 1, 2013 but are considered not to be relevant or to have any significant effect on the group's operations and are, therefore, not detailed in these financial statements except for the amendments as given below which have been fully explained in note 4.1 to these financial statements:

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasizes on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the group as it is only concerned with presentation and disclosures.

- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The group has applied this change in accounting policy in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefit plan.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the group's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or to have any significant effect on the group's operations and are, therefore, not detailed in these financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention as modified by the revaluation of operating fixed assets and certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgments

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

a) **Employee retirement benefits**

The group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.4.

b) **Provision for taxation**

The group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the group's view differs from the view taken by the income tax department at the assessment stage and where the group considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) **Useful lives and residual values of property, plant and equipment**

The group reviews the useful lives and residual values 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.

d) **Estimated impairment of goodwill**

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 4.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 26).

e) **Revaluation surplus on operating fixed assets**

Certain operating fixed assets are carried under the revaluation model as per International Accounting Standard ('IAS') 16 'Property, Plant and Equipment' as stated in note 4.5.1. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of present market value (note 7).

3.3 Change in accounting estimate

During the year, the group's management has carried out a comprehensive review of the expected pattern of consumption of the future economic benefits embodied in certain assets and as a result of this review, has revised its depreciation method for such assets. Previously, the group depreciated the plant and machinery, factory equipment (included in tools and other equipment) and catalysts of the fertilizers segment on the straight line method over their estimated useful lives. Now the group charges depreciation on these assets based on the units of production method over their estimated remaining useful lives. Such a change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the loss before tax for the year ended December 31, 2013 would have been higher by Rs 656.331 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, future profits before tax would reduce by Rs 656.331 million.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except for the change in accounting policy as explained in note 4.1.

4.1 Changes in accounting policies and disclosures

4.1.1 Amendment to IAS 1 'Presentation of Financial Statements'

The primary change resulting from this amendment is that the group has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

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

4.1.2 Amendments in IAS 19, (Revised) 'Employee Benefits'

IAS 19 (Revised) 'Employee Benefits' amends the accounting for the company's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard, however, comparative figures have not been restated as company's management considers that the net impact of the adoption for periods upto December 31, 2012 is immaterial in the context of these financial statement. Consequently, the net impact has been accounted for in the current year ended December 31, 2013 as follow:

	Rupees in thousand
Income recognized in profit and loss account	676
Loss recognized in other comprehensive income	(3,111)
Decrease/(increase) in total comprehensive loss for the year	(2,435)

4.2 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.3 Taxation

Current

Provision of current tax is based on the taxable income for the year 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 year 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 year 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. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. 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 utilised.

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 other comprehensive income or equity in which case it is included in other comprehensive income or equity.

4.4 Employee retirement benefits

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

(a) Defined benefit plan - Gratuity

The group operates an approved funded gratuity scheme for all permanent employees of the fertilizers segment. 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 the gratuity scheme was carried out as at December 31, 2013. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 12.5% per annum
- Expected rate of increase in salary level 11.5% per annum
- Expected rate of return 11% per annum

Mortality rates are assumed to be based on the SLIC (2001-2005) mortality table.

All actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains/ losses were amortised using minimum recommended approach under IAS 19 "Employee Benefits".

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

(b) Defined contribution plan - Provident Fund

There is an approved defined contributory provident fund for all permanent employees of the fertilizers segment. Equal monthly contributions are made both by the group and employees to the fund at the rate of 8.33 percent of salary for the executives and 10 percent of salary for the workers.

(c) Accumulating compensated absences

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

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

4.5 Property, plant and equipment

4.5.1 Operating fixed assets

Operating fixed assets except freehold land, buildings on freehold land, railway siding, plant and machinery and tools and other equipment of the fertilizers segment are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land of the fertilizers segment is stated at revalued amount less any identified impairment loss while buildings on freehold land, railway siding, plant and machinery and tools and other equipment of the fertilizers segment are stated at revalued amount less accumulated depreciation and any identified impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of present market value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Cost in relation to other operating fixed assets signifies historical cost, gains and losses transferred from other comprehensive income on qualifying cash flow hedges as referred to in note 4.14.

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to profit or loss. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the profit or loss) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to other comprehensive income. All transfers to/from surplus on revaluation of operating fixed assets are net of applicable deferred taxation.

Depreciation on operating fixed assets is charged to profit or loss on the following methods and rates so as to write off the depreciable amount of an asset over its estimated useful life after taking into account their residual values:

Asset category	Depreciation method	Annual depreciation rate
Buildings on freehold land	Straight line	3.99% to 5.31%
Railway siding	- do -	26%
Aircrafts	- do -	10% to 10.8%
Furniture and fixtures	- do -	10% to 26.09%
Tools and other equipment (other than factory equipment)	- do -	10% to 50%
Vehicles	- do -	20%
Plant and machinery - Sacks segment	- do -	4.35%
Plant and machinery - Fertilizers segment	Units of production	
Tools and other equipment (factory equipment)	- do -	
Catalyst	- do -	

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.7).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income 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 recognised as an income or expense.

4.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified 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 operating fixed assets as and when these are available for use.

4.6 Intangible assets

4.6.1 Computer software

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.7).

4.6.2 Mining rights

Expenditure incurred to acquire mining rights is capitalised as intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Mining rights are amortised using the straight line method over a period of ten years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.7).

4.7 Impairment of non-financial assets

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

4.8 Leases

The group is the lessee.

4.8.1 Finance leases

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit or loss over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 24. Depreciation of leased assets is charged to profit or loss.

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

4.8.2 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 or loss on a straight-line basis over the lease term.

4.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.10 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.

4.11 Financial assets

4.11.1 Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) 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. Derivatives are also categorised as held for trading unless they are designated as hedges. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

4.11.2 Recognition and measurement

All financial assets are recognised at the time when the group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale financial assets are carried at cost in case fair value cannot be measured reliably. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the group's right to receive payments is established.
Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the group's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the group measures the investments at cost less impairment in value, if any.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.17.

4.12 Financial liabilities

All financial liabilities are recognised at the time when the group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.13 Offsetting of financial assets and financial liabilities

Financial assets and financial 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 group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.14 Derivative financial instruments

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

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

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

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

Amounts accumulated in other comprehensive income are recognised in profit and loss account in the periods when the hedged item will affect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. The changes in fair value re-measurement of derivatives which the group has not designated as a hedging instrument are recognised in the profit and loss account. Trading derivatives are classified as a current asset or liability.

4.15 Stores and spare parts

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value. The group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.16 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 weighted average cost and that relating to mid products, work in process and finished goods, annual average cost comprising cost of direct materials, labour and appropriate manufacturing overheads.

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

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

4.17 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 group will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial 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.

4.18 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within current liabilities on the balance sheet.

4.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.20 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.21 Provisions

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

4.22 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.24 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Revenue from sale of goods and export rebate is recognized on dispatch to customers.

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

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

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividend and bonus shares is established.

4.25 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

4.26 Dividend

Dividend distribution to members is recognize as a liability in the period in whereas dividends are approved.

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

5. Issued, subscribed and paid up share capital

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
2,791,260	2,791,260	Ordinary shares of Rs 10 each fully paid in cash	27,913	27,913
447,208,740	447,208,740	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,472,087	4,472,087
450,000,000	450,000,000		4,500,000	4,500,000

	2013	2012
Ordinary shares of the company held by associated undertakings as at year end are as follows:		
Reliance Commodities (Private) Limited	7,136,613	7,136,613
Fatima Sugar Mills Limited	71,250,558	71,250,558
Fazal Cloth Mills Limited	25,790,610	25,790,610
Arif Habib Corporation Limited	135,000,000	135,000,000
	239,177,781	239,177,781

	2013	2012
	(Rupees in thousand)	
6. Reserves		
Revenue:		
- General reserve	2,098,313	2,098,313
- (Accumulated loss)/un-appropriated profit	(403,247)	1,325,416
	1,695,066	3,423,729

7. Surplus on revaluation of operating fixed assets

This represents surplus over book value resulting from the revaluation of freehold land, buildings on freehold land, plant and machinery, railway siding and tools and other equipment of the fertilizers segment, adjusted by incremental depreciation arising out of revaluation of abovementioned assets except freehold land. The valuation was carried out by independent valuers, M/s Pirsons Chemical Engineering (Private) Limited, on September 30, 2011 under current market price/appraisal methods wherever applicable for the respective assets. Surplus on revaluation of operating fixed assets can be utilized for the purposes specified in section 235 of the Companies Ordinance, 1984.

The revaluation surplus relating to abovementioned operating fixed assets excluding freehold land is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on the abovementioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets. The movement in revaluation surplus is as follows:

		2013	2012
		(Rupees in thousand)	
Opening balance - net of tax		11,964,238	11,942,294
Deferred tax on revaluation surplus	- note 13	-	185,845
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(79,902)	(163,901)
Closing balance - net of tax	- note 7.1	11,884,336	11,964,238

7.1 Includes surplus on revaluation of freehold land amounting to Rs 3,855.69 million (2012: Rs 3,855.69 million).

			2013	2012
			(Rupees in thousand)	
8.	**Long term finances - secured**			
	Redeemable capital	- note 8.1	-	1,625,000
	Long term loans	- note 8.2	1,608,500	2,870,591
	Syndicated term finance	- note 8.3	-	277,333
			1,608,500	4,772,924

			2013	2012
8.1	**Redeemable capital**			
	This is composed of:			
	Listed Term Finance Certificates	- note 8.1.1	-	1,500,000
	Privately Placed Term Finance Certificates	- note 8.1.2	1,625,000	3,250,000
			1,625,000	4,750,000
	Less: Current portion shown under current liabilities	- note 14	1,625,000	3,125,000
			-	1,625,000

		2013	2012
8.1.1	**Listed Term Finance Certificates**		
	Opening balance	1,500,000	3,700,000
	Less: Redeemed during the year	1,500,000	2,200,000
		-	1,500,000
	Less: Current portion shown under current liabilities	-	1,500,000
		-	-

The effective markup rate charged during the year on the outstanding balance was 12.03% per annum.

		2013	2012
		(Rupees in thousand)	
8.1.2	**Privately Placed Term Finance Certificates (PPTFCs)**		
	Opening balance	3,250,000	4,875,000
	Less: Redeemed during the year	1,625,000	1,625,000
		1,625,000	3,250,000
	Less: Current portion shown under current liabilities	1,625,000	1,625,000
		-	1,625,000

On December 15, 2009, the group converted the bridge finance of Rs 6,500 million from Habib Bank Limited (HBL) and National Bank of Pakistan (NBP) to Term Finance Certificates having unit value of Rs 5,000 each by way of private placement. As of December 31, 2013, HBL and NBP hold 400,000 units and 757,070 units respectively while the remaining 142,930 units are held by other private investors.

Terms of redemption

The tenure of the PPTFCs is from December 16, 2009 to September 1, 2014. The PPTFCs are redeemable in six semi-annual installments of Rs 812.5 million ending on September 1, 2014. The group has an option to redeem in full (Call Option) or part (Partial Call Option) of the outstanding amount without any premium by giving written notice to the Trustee at least thirty days prior to the option date. The Call Option is exercisable only on mark up payment dates.

Rate of return

The return on PPTFCs is payable semi-annually and is calculated on the outstanding balance at the rate of six months Karachi Inter Bank Offered Rate (KIBOR) plus 2.5% per annum. The effective mark up rate charged during the year on the outstanding balance ranges from 11.97% to 12.32% per annum.

Trustee

In order to protect the interests of the PPTFC holders, HBL was appointed as Trustee under a trust deed dated September 01, 2009. The Trustee is paid a fee of Rs 0.75 million per annum.

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

In case the group defaults on any of its obligations, the Trustee may enforce the group's obligations in accordance with the terms of the trust deed. The proceeds of any such enforcements shall be distributed to the PPTFC holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the PPTFCs.

Security

The PPTFCs are secured by a registered first ranking pari passu charge over all present and future fixed assets of the fertilizers segment excluding land and buildings and lamont boiler for nitric acid, the Cessna aircraft, Clean Development Mechanism (CDM) project and carbon dioxide recovery plant/liquefaction plant.

			2013	2012
			(Rupees in thousand)	
8.2	**Long term loans**			
	These have been obtained from the following financial institutions:			
	MCB Bank Limited	- note 8.2.1	344,444	688,890
	Standard Chartered Bank (Pakistan) Limited - Loan 1	- note 8.2.2	100,000	500,000
	Standard Chartered Bank (Pakistan) Limited - Loan 2	- note 8.2.3	500,000	833,334
	Faysal Bank Limited	- note 8.2.4	500,000	500,000
	National Bank of Pakistan	- note 8.2.5	-	187,500
	Pakistan Kuwait Investment Company (Private) Limited	- note 8.2.6	312,500	437,500
	PAIR Investment Company Limited	- note 8.2.7	500,000	500,000
	Soneri Bank Limited	- note 8.2.8	400,000	400,000
	Meezan Bank Limited	- note 8.2.9	213,643	249,251
			2,870,587	4,296,475
	Less: Current portion shown under current liabilities	- note 14	1,262,087	1,425,884
			1,608,500	2,870,591

8.2.1 This represents a term loan facility and the balance is repayable in two semi annual installments of Rs 172.222 million each ending on October 23, 2014. Markup is payable semi-annually at the rate of six months KIBOR plus 0.65% per annum on Rs 266.667 million, while on the remaining Rs 77.777 million, it is payable at the rate of six months KIBOR plus 3% per annum. The effective mark up rate charged during the year on the outstanding balance of Rs 266.667 million ranges from 10.23% to 10.44% per annum, while on the outstanding balance of Rs 77.777 million, the effective markup rate charged during the year ranges from 12.58% to 12.79% per annum. It is secured by a registered first pari passu charge on all present and future fixed assets of the fertilizers segment excluding the assets comprising the Clean Development Mechanism (CDM) project, the Cessna aircraft and the Lamont boiler for nitric acid.

8.2.2 This represents a term loan facility on musharika basis for capital expenditure. The balance is repayable in a single installment of Rs 100 million on March 15, 2014. Mark up is payable quarterly at the rate of one month KIBOR plus 1.90% per annum. The effective markup rate charged during the year on the outstanding balance ranges from 10.70% to 11.70% per annum. The loan is secured by a registered charge over fixed assets comprising the Clean Development Mechanism (CDM).

8.2.3 This represents a term loan facility on musharika basis for capital expenditure. The balance is repayable in six quarterly installments of Rs 83.333 million each ending on May 17, 2015. Mark up is payable monthly at the rate of one month KIBOR plus 1.75% per annum. The effective markup rate charged during the year on the outstanding balance ranges from 10.54% to 11.42% per annum. The loan is secured by a registered first pari passu charge over the fixed assets of the fertilizers segment including land, building, plant and machinery.

8.2.4 This represents a term finance facility of Rs 500 million obtained to finance the group's capacity expansion. It is repayable in six equal semi-annual installments of Rs 83.333 million each commencing December 14, 2014 and carries mark up at the rate of six months KIBOR plus 1.70% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 11.17% to 11.53% per annum. It is secured by a pari passu charge on all present and future movable fixed assets of the fertilizers segment excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Cessna and Bombardier Challenger aircrafts, the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant and the land and buildings of the excluded assets.

8.2.5 This has been repaid during the year. The effective markup rate charged during the year on the outstanding balance ranges from 11.87% to 12.03% per annum.

8.2.6 This represents term finance facility to finance the group's capacity expansion. The balance is repayable in five equal semi-annual installments of Rs 62.5 million each ending on June 29, 2016 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 11.34% to 11.87% per annum. It is secured by a pari passu charge on all present and future movable fixed assets of the fertilizers segment excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Cessna aircraft, the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories.

8.2.7 This represents term finance facility of Rs 500 million for balance sheet restructuring and group's capital expenditure requirements. It is repayable in seven equal semi-annual installments of Rs 71.428 million each commencing August 28, 2014 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 11.32% to 12.77% per annum. It is secured by a first pari passu charge on the fertilizers segment's present and future fixed assets.

8.2.8 This represents term finance facility of Rs 400 million to meet the group's capital expenditure/repayment of expensive debt. It is repayable in six equal semi-annual installments of Rs 66.667 million each commencing May 2, 2014 and carries mark up at the rate of six months KIBOR plus 1.75% per annum, payable semi-annually. The effective markup rate charged during the year on the outstanding balance ranges from 10.81% to 11.11% per annum. It is secured by a first pari passu charge on the fertilizers segment's present and future fixed assets including land and building and machinery excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Cessna aircraft, the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories and the land and buildings related to these assets.

8.2.9 This represents diminishing musharika facility and the purpose of this facility is to finance the purchase of both local and imported plant and machinery for the sacks segment. As of December 31, 2013, the principal is repayable in twelve equal quarterly installments of Rs 17,803,624 each ending on December 15, 2016 and carries markup at the rate of six months KIBOR plus 2% per annum with a floor of 8% and a cap of 25%. The effective markup rate charged during the year on the outstanding balance ranges from 11.51% to 12.47% per annum. The facility is secured by a registered mortgage of Rs 100 million over the sacks segment's building/superstructure on the leasehold land and an exclusive hypothecation charge on plant and machinery.

			2013	2012
			(Rupees in thousand)	
8.3	**Syndicated term finance**			
	This has been obtained from a consortium of the following financial institutions:			
	National Bank of Pakistan		133,167	266,333
	United Bank Limited		119,047	238,095
	Faysal Bank Limited		25,119	50,239
			277,333	554,667
	Less: Current portion shown under current liabilities	- note 14	277,333	277,334
			-	277,333

It represents a syndicated term finance facility (STFF) to finance equity investment/debt financing in Fatima Fertilizer Company Limited ('FATIMA'), a related party. The balance is repayable in two equal semi annual installments of Rs 138.667 million each ending on August 26, 2014. Mark up is payable semi-annually at the rate of six months KIBOR plus 2.5% per annum with no floor and no cap. The effective markup rate charged during the year on the outstanding balance ranges from 11.57% to 13.03% per annum. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the fertilizers segment including plant and machinery, fixtures, fittings, vehicles, tools and equipment but excluding immovable property, land and buildings, Lamont Boiler for nitric acid, Cessna aircraft, the assets comprising of the Clean Development Mechanism (CDM) project and the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, its spares, tools and accessories.

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

9. Import bill payable - secured

This represents deferred payment letter of credit established with Allied Bank Limited for import of an aircraft from Bombardier Inc., Canada. It is interest free and is secured through an exclusive hypothecation charge over the aircraft with all accessories, spares and parts installed or which may be installed in future.

		2013	2012
		(Rupees in thousand)	
Import bill payable [USD 24 million (2012: USD 24 million)]		2,524,800	2,330,400
Less: Current portion included in trade and other payables		1,424,800	842,000
		1,100,000	1,488,400
10. Liabilities against assets subject to finance lease			
Present value of minimum lease payments	- note 10.1	38,811	113,189
Less: Current portion shown under current liabilities	- note 14	38,811	63,511
		-	49,678

The minimum lease payments have been discounted at an implicit interest rate of KIBOR plus 2% to 2.5% reset at the beginning of every three or six months depending upon the terms of the lease agreement. The implicit interest rate used during the period to arrive at the present value of minimum lease payments ranges from 5.96% to 15.99%. Since the implicit interest rate is linked with KIBOR so the amount of minimum lease payments and finance charge may vary from period to period. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are to be borne by the group. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum lease payments	Future finance cost	Present value of lease liability 2013	Present value of lease liability 2012
	(Rupees in thousand)			
Not later than one year	39,812	1,001	38,811	63,511
Later than one year and not later than five years	-	-	-	49,678
	39,812	1,001	38,811	113,189

10.1 These include a balance of Rs 0.028 million (2012: Rs 0.08 million) of a related party, Summit Bank Limited.

11. These represent interest free security deposits from customers and carriage contractors and are repayable on cancellation/ withdrawal of the dealership or on cessation of the business with the group respectively.

		2013	2012
		(Rupees in thousand)	
12. Deferred liabilities			
Accumulating compensated absences	- note 12.1	86,320	84,150
Retirement benefits - gratuity fund	- note 12.2	40,152	30,690
		126,472	114,840

		2013	2012
		(Rupees in thousand)	
12.1	**Accumulating compensated absences**		
	Opening balance	84,150	66,001
	Provision for the year	20,100	26,568
		104,250	92,569
	Less: Payments made during the year	17,930	8,419
	Closing balance	86,320	84,150
12.2	**Gratuity fund**		
	The amounts recognised in the balance sheet are as follows:		
	Present value of defined benefit obligation	129,962	115,230
	Fair value of plan assets	(89,810)	(82,105)
	Unrecognised actuarial losses	-	(2,435)
	Liability as at year end	40,152	30,690
	Opening net liability	30,690	24,683
	Charge to profit and loss account	23,163	21,746
	Charge to related party	9,491	8,944
	Net remeasurements for the year	7,498	-
	Contribution by the company	(30,690)	(24,683)
	Liability as at year end	40,152	30,690
	The movement in the present value of defined benefit obligation is as follows:		
	Opening present value of defined benefit obligation	115,230	88,126
	Service cost	29,685	27,102
	Interest cost	12,675	11,016
	Benefits paid to out-going members during the year	(30,719)	(14,727)
	Experience loss	(3,110)	3,713
	Remeasurements on obligation	6,201	-
	Present value of defined benefit obligation as at year end	129,962	115,230
	The movement in fair value of plan assets is as follows:		
	Opening fair value	82,105	64,824
	Expected return on plan assets	9,031	8,104
	Company contributions	30,690	24,683
	Benefits paid to out-going members during the year	(30,719)	(14,727)
	Experience loss	-	(779)
	Remeasurements on fair value of plan assets	(1,297)	-
	Fair value as at year end	89,810	82,105
	Plan assets are comprised as follows:		
	Mixed funds	74,400	56,520
	Cash	15,410	25,585
		89,810	82,105

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

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2013	2012	2011	2010	2009
			(Rupees in thousand)		
Present value of defined benefit obligation	129,962	115,230	88,126	53,709	38,481
Fair value of plan assets	89,810	82,105	64,824	45,505	29,959
Loss	(40,152)	(33,125)	(23,302)	(8,204)	(8,522)
Experience adjustment on obligation	5%	3%	6%	2%	-21%
Experience adjustment on plan assets	-1.44%	-0.95%	0.89%	0.21%	2%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumption	Decrease in assumption
		(Rupees in thousand)	
Discount rate	1%	118,995	142,813
Salary growth rate	1%	142,813	118,811

	2013	2012
	(Rupees in thousand)	
13. Deferred taxation		
The liability for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation	10,053,113	9,912,589
Accumulating compensated absences	(30,212)	(29,453)
Provision for doubtful receivable	(3,119)	(3,119)
Post retirement medical benefits and other allowances payable	(4,030)	(4,030)
Assets subject to finance lease	4,137	2,778
Interest receivable	5,433	553,828
Preference dividend receivable	-	468,025
Unrealised recovery of chemical catalyst	56,957	50,799
Goodwill	964,416	836,155
Unused tax losses	(986,823)	(793,934)
Minimum tax available for carry forward	(127,387)	(73,669)
Precommencement expenditure	(4,086)	(4,731)
Short term employee benefits	(1,152)	
	9,927,247	10,915,238

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward under section 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable.

Management considers that minimum tax available for carry forward of Rs 2.772 million would not be utilised in the foreseeable future. Consequently, based on the prudence principle, deferred tax asset to the extent of Rs 2.772 million has not been recognized in these financial statements.

			2013	2012
			(Rupees in thousand)	
	The gross movement in deferred tax liability during the year is as follows:			
	Opening balance		10,915,238	10,967,290
	Deferred tax on revaluation surplus	- note 7	-	(185,845)
	(Credited)/charged to profit and loss account	- note 41	(987,991)	133,793
	Closing balance		9,927,247	10,915,238
14.	**Current portion of long term liabilities**			
	Long term finances - secured:		-	
	- Redeemable capital	- note 8.1	1,625,000	3,125,000
	- Long term loans	- note 8.2	1,262,087	1,425,884
	- Syndicated term finance	- note 8.3	277,333	277,334
	Liabilities against assets subject to finance lease	- note 10	38,811	63,511
	Payable against mining rights	- note 14.1	-	21,000
			3,203,231	4,912,729

14.1 This represents interest free amount payable to Director General, Mines and Minerals, Government of Khyber Pakhtunkhwa ('GOKP') in respect of mining rights acquired for extraction of rock phosphate from a block of area in District Abbottabad for a ten years period ending on August 11, 2019. This has been paid during the current year.

15. This represents a short term loan facility of Rs 3 billion obtained during the year from FATIMA, a related party, to meet the group's working capital requirements and repayment of long term liabilities.. It carries mark up at the rate of six months KIBOR plus 2.12% per annum or average borrowing cost of FATIMA which ever is higher, payable semi-annually. The effective markup rate charged during the year on the outstanding balance was 11.21% per annum. It has been secured by providing a cash cheque of Rs 3 billion renewable after every six months accompanied with ranking charge on the fertilizers segment's present and future fixed assets including plant and machinery, fixtures, fittings, vehicles, tools and equipment, but excluding immovable property and land and building and lamont boiler for nitric acid, cessna aircraft and the assets comprising of the Clean Development Mechanism (CDM) project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories, wherever situated together with all documents of title thereto and sale proceeds thereof and with the benefit of all contracts entered by the group with the suppliers of such fixed assets to be imported or purchased by the group.

			2013	2012
			(Rupees in thousand)	
16.	**Short term borrowings - secured**			
	Running finances	- note 16.1	3,013,610	3,914,106
	Term finances	- note 16.2	2,082,849	2,092,118
			5,096,459	6,006,224

16.1 Running finances

Short term running finance facilities available from commercial banks under mark-up arrangements amount to Rs 6,077 million (2012: Rs 8,300 million). The rates of mark-up range from 10.27% to 13.95% on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade as referred to in note 29.1 and registered hypothecation charge on current assets. Included in the above is a running finance of Rs 400 million (2012: Rs 400 million) from a related party, Summit Bank Limited.

16.2 Term finances

Term finance facilities available from various commercial banks under profit arrangements amount to Rs 2,724 million (2012: Rs 3,029 million). The rates of profit range from 9.76% to 19.00% on the outstanding balance or part thereof. The aggregate term finances are secured against first pari passu charge over all current assets of the fertilizers segment and pledge of raw materials, stock-in-trade, hypothecation charge on all current assets of the sacks segment.

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

16.3 Letters of credit and guarantees

Of the aggregate facility of Rs 8,125 million (2012: Rs 8,214 million) for opening letters of credit and Rs 120 million (2012: Rs 2,350 million) for guarantees, the amount utilised at December 31, 2013 was Nil (2012: Nil) and Nil (2012: Rs 17 million) respectively. The facility for opening letters of credit is secured against import documents and registered joint pari passu charge over current assets whereas facility for guarantees is secured against pledge of stock-in-trade as referred to in note 29.1.

17. Reliance Exports (Private) Limited ('REL'), under the terms and conditions stated in the 'Share Purchase Agreement' (the Agreement), acquired 100% shares in the parent company on July 14, 2005 through the process of privatization. Under the terms of the Agreement, the purchase consideration, in addition to lump sum cash payment, included a further payment equivalent to 90% of the group's claim of tax refund aggregating to Rs 2,814.511 million for the assessment years 1993-94, 1995-96 through 2002-2003 and tax years 2003 and 2004. The amount is payable to the Privatization Commission in the event of and at the time of cash receipt of the refund from the concerned tax authorities.

The amount recognized in these financial statements as payable to Privatization Commission is net off Rs 240.119 million which, according to the management of the group, has already been withdrawn by the Previous Members as part of the dividend distribution for the year ended June 30, 2005. The management of the group feels that the Agreement as presently worded, if executed, would result into double payment of the same amount to the Privatization Commission/Previous Members, firstly, as part of the profits for the year ended June 30, 2005 (computed without recognition of the tax expense for the years for which when the refund is issued, an amount equivalent to 90% would be the right of the Privatization Commission/Previous Members) and secondly, at the time the refund is received from the tax authorities when an amount equivalent to 90% of such refund is paid off to the Privatization Commission, as agreed. The management of the group feels that such double payment is neither the intention nor warranted under the specific provisions of the Agreement.

Upon dissolution of REL and its amalgamation with the parent company on July 14, 2005, this liability was recognised in the books of the parent company being the surviving entity upon REL's amalgamation with the parent company in accordance with the Scheme of Arrangement for Amalgamation.

18. This represents the derivative cross currency swaps the group had entered into with various banks. These have matured during the year resulting in a gain of Rs 2.217 million that has been recognised in the profit and loss account.

		2013	2012
		(Rupees in thousand)	
19. Trade and other payables			
Trade creditors	- note 19.1	1,641,318	1,486,779
Sui gas bill payable	- note 19.2	6,093	112,228
Security deposits		21,969	30,160
Accrued liabilities	- note 19.3	863,875	376,333
Workers' profit participation fund	- note 19.4	730,152	753,108
Workers' welfare fund		244,046	244,046
Customers' balances		344,946	130,676
Bank guarantees discounted		-	66,348
Due to related party		-	133,000
Due to employees' provident fund trust		6,055	6,084
Withholding tax payable		7,569	14,006
Excise duty payable		1,724	1,724
Sales tax payable	- note 19.5	154,177	-
Electricity duty payable		19,506	16,481
Retention money		1,765	1,541
Due to employees		4	-
Others		-	535
		4,043,199	3,373,049

19.1 Includes an amount of Rs 0.05 million (2012: Rs 0.05 million) payable to FATIMA, a related party.

19.2 This amount is payable to Sui Northern Gas Pipelines Limited ('SNGPL'), a related party against purchase of gas.

19.3 Included in accrued liabilities are amounts aggregating Rs 1.012 million (2012: Nil) due to FATIMA, a related party.

			2013	2012
			(Rupees in thousand)	
19.4	**Workers' profit participation fund**			
	Opening balance		753,108	803,274
	Provision for the year	- note 39	2,524	-
			755,632	803,274
	Less: Payments made during the year		25,480	50,166
	Closing balance		730,152	753,108

The parent company has an agreement with the Workers Welfare Fund ('WWF'), Ministry of Labour and Manpower, Government of Pakistan whereby the balance amount of Workers' Profit Participation Fund ('WPPF') remaining after deducting the workers' portion of WPPF that is required to be deposited in the WWF, would be used for establishing a hospital for the workers as per the mechanism defined in that agreement.

19.5 Includes Rs 134.022 million which primarily represents the input sales tax paid by the group in respect of raw materials acquired before June 11, 2008 on which date fertilizer products manufactured by the group were exempted from levy of sales tax through notification SRO 535(I)/2008. The amount stood refundable to the group there being no output sales tax liability remaining payable on fertilizer products manufactured by the group against which such input sales tax was adjustable. The group's claim of refund on this account was not entertained by Federal Board of Revenue ('FBR') on the premise that since subject raw materials were subsequently consumed in manufacture of a product exempt from levy of sales tax, claim was not in accordance with the relevant provisions of the Sales Tax Act, 1990.

Group's management being aggrieved with the interpretation advanced by FBR on the issue has preferred a writ petition before the Lahore High Court, which has not yet been disposed off. Since group's management considers that claim of refund is completely in accordance with relevant statutory framework and expects relief from appellate authorities on this account, it considers that the receivable amount was unimpaired at the balance sheet date.

			2013	2012
			(Rupees in thousand)	
20.	**Accrued finance cost**			
	Accrued mark-up on:			
	- redeemable capital - secured		9,011	79,805
	- long term loans - secured		41,591	62,148
	- syndicated term finance - secured		12,204	26,051
	- short term borrowings - secured	- note 20.1	136,077	159,848
	- short term loan from related party - secured	- note 20.2	147,148	-
	Acceptance commission on letter of credit		-	43,164
			346,031	371,016

20.1 Includes an amount of Rs 10.906 million (2012: Rs 11.629 million) payable to Summit Bank Limited, a related party.

20.2 This amount is payable to FATIMA.

21. This represents a book overdraft balance due to unpresented cheques.

22. Contingencies and commitments

22.1 Contingencies

(i) The company has netted off an amount of Rs 240.119 million from the amount payable to the Privatization Commission, as part of purchase consideration, at the time and in the event the refund is received from the tax authorities. In case, the company's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the company is contingently liable to the aforesaid amount of Rs 240.119 million. In case, the amount becomes payable, the corresponding effect would be reflected in the computation of goodwill.

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

(ii) The company has issued following guarantees in favour of:

- Sui Northern Gas Pipelines Limited against gas sale amounting to Rs 10 million (2012: Rs 10 million).

- Pakistan State Oil Company Limited against fuel for aircraft amounting to Rs 7 million (2012: Rs 7 million).

- Meezan Bank Limited as security against finance obtained by its subsidiary, Reliance Sacks Limited.

(iii) Indemnity bonds amounting to Nil (2012: Rs 152.7 million) issued to the Customs authorities in favour of The President of Islamic Republic of Pakistan under SRO 489(I)/2000 for the value of goods exported and to be re-imported.

(iv) As at June 30, 2004, the group had investment of 140,000 ordinary shares of Rs 10 each valuing Rs 100,000 in National Fertilizer Marketing Limited, being the associated company on that date. On May 20, 2005, this investment was transferred to National Fertilizer Corporation of Pakistan (Private) Limited by the management of the group. However, the new buyer, Reliance Exports (Private) Limited filed an application before Privatization Commission challenging this transfer on the grounds that such transfer had been carried out against the terms and conditions of the bid documents. In case of a positive outcome to the application, this investment would be re-instated.

(v) An amount of Rs 129.169 million was withdrawn by the previous members of the parent company as part of dividend for the year ended June 30, 2005 under the Share Purchase Agreement. Out of the aggregate amount, Rs 89.39 million represents the value of certain catalysts recovered in consequence of clean down operations of the plant prior to undertaking the process of privatization, which was accounted for as income in the financial statements for the year ended June 30, 2005 in the light of applicable financial reporting framework.

The management of the group feels that notwithstanding the applicability of the financial reporting framework, on the financial statements for the year ended June 30, 2005, the amount was not distributable as part of dividend for that year in view of the clear understanding behind the execution of the Agreement as categorically confirmed, in writing, by the Privatization Commission prior to signing of the Agreement. Similarly, the balance amount of Rs 39.779 million is considered to be dividend distribution out of the then available reserves which was also not distributable to the previous members in terms of other covenants of the Agreement.

The group has filed a claim for the recovery of the aforesaid aggregate amount on the grounds that in the present form, the distribution has been made out of the accumulated reserves, for the years up to June 30, 2004, which, under the specific provisions of the Agreement were not distributable to the previous members of the parent company. In case of a positive outcome to the group's claim, the excess dividend withdrawn by the previous members of the parent company would be recovered.

(vi) Through a show cause notice, the department raised the issue of short payment of output sales tax on supplies of the group's fertilizer product, Calcium Ammonium Nitrate ('CAN') for the period from April 18, 2011 to December 31, 2011 involving a principal sales tax demand of Rs 500 million. Such issue has been raised on the grounds that notification SRO 15(I)/2006, providing for levy of sales tax on the basis of 'notified price' of CAN, was withdrawn through notification SRO 313(I)/2011 dated April 18, 2011 and hence, group was legally required to recover output sales tax on supplies of CAN on the basis of actual consideration received there against. The group has impugned the vires of such notice through institution of a constitutional petition before the Lahore High Court, inter alia, on the grounds that (i) pending the disposal of application earlier filed with the Federal Board of Revenue by the group under section 65B of the Sales Tax Act, 1990, on this matter, instant proceedings initiated by department lack the legal sanctity; and (ii) that inadvertence of charging the sales tax on the basis of notified price was not attributable to any mala fide on group's part. In view of the fact that management considers group's stance to be based on meritorious grounds and hence expects a favourable decision on the matter by Lahore High Court, no provision on this account has been made in these financial statements.

(vii) For assessment years 1993-94 and 1995-96 through 2002-2003 and for tax years 2003 through 2005, the group, in view of the position taken by the tax authorities that the income of the group is chargeable to tax on the basis of 'net income', had provided for in the financial statements the tax liability on net income basis which aggregated to Rs 5,223.343 million. Tax liabilities admitted in respective returns of total income in respect of these assessment/tax years, however, aggregated to Rs 1,947.671 million being the liabilities leviable under the Presumptive Tax Regime ('PTR'), considered by the management to be applicable in respect of group's income from sale of own manufactured fertilizer products.

The Appellate Tribunal Inland Revenue ('ATIR') through its separate orders for the assessment years 1993-94, 1995-96 through 2002-03 upheld the group's position as taken in respective returns of total income and consequently, management reversed the excess provisions aggregating to Rs 3,275.673 million on the strength of such judgments. ATIR's decisions in respect of certain assessment years have also been upheld by the Lahore High Court while disposing departmental appeals against respective orders of ATIR. Income tax department has statedly agitated the issue further before Supreme Court of Pakistan, which is pending adjudication.

In view of the favourable disposal of the matter up to the level of High Court, management of the group feels that the decision of the apex court would also be in the favour of the group and hence in these financial statements, tax liabilities in respect of above referred assessment/tax years have been provided on the basis that group's income during such years was taxable under PTR. In case, the apex court decides the matter otherwise, amount aggregating to Rs 3,275.673 million will have to be recognized as tax expense in respect of such assessment/tax years.

(viii) Included in trade debts is an amount of Rs 18.877 million (2012: Rs 28.511 million) which has not been acknowledged as debts by its customers due to a dispute regarding the discount on the product's price. The group's customers had collectively filed an appeal regarding the price dispute before the Civil Court, Multan, which decided the case in favour of the group's customers. The group preferred an appeal before the District and Sessions Court, Multan which set aside the order of the Civil Court. The group's customers filed a revised petition before the Lahore High Court against the order of the District and Sessions Court, which is pending for adjudication. Based on the advice of the group's legal counsel, the group's management considers that there are meritorious grounds to defend the group's stance and hence, no provision has been made in these financial statements on this account.

(ix) Claims against the group not acknowledged as debts Rs 23.051 million (2012: Rs 23.051 million). Provision has not been made in these financial statements as management is confident that it will not materialize.

22.2 Commitments in respect of

(i) Contracts for capital expenditure Nil (2012: Rs 61.222 million).

(ii) Letters of credit other than for capital expenditure Rs 135.511 million (2012: Rs 128.189 million).

(iii) Purchase orders aggregating to Nil (2012: Rs 5.656 million) were placed and letters of credit were established subsequently.

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

	2013	2012
	(Rupees in thousand)	
Not later than one year	53,646	57,597
Later than one year and not later than five years	54,658	112,547
	108,304	170,144

23. Property, plant and equipment

		2013	2012
Operating fixed assets	- note 23.1	37,477,752	36,846,416
Capital work-in-progress	- note 23.2	77,271	863,946
		37,555,023	37,710,362

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

23.1 Operating fixed assets

(Rupees in thousand)

	Freehold land	Building on freehold land	Railway siding	Plant and machinery		Aircrafts	Furniture and fixtures	Tools and other equipment	Vehicles	Catalyst	Total
COST											
Balance as at January 01, 2012	4,767,634	1,928,551	-	36,800	28,066,369	2,778,905	64,640	622,530	243,508	102,102	38,611,039
Additions during the year	-	124,652	-	-	23,432	4,304	5,264	55,231	6,844	115,210	334,937
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	117,858	-	117,858
Disposals during the year	-	-	-	-	(6,759)	-	-	-	(123,909)	-	(130,668)
Balance as at December 31, 2012	4,767,634	2,053,203	-	36,800	28,083,042	2,783,209	69,904	677,761	244,301	217,312	38,933,166
Balance as at January 01, 2013	4,767,634	2,053,203	-	36,800	28,083,042	2,783,209	69,904	677,761	244,301	217,312	38,933,166
Additions during the year	-	4,061	132,812	-	872,784	-	3,408	44,978	1,770	-	1,059,813
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	91,715	-	91,715
Disposals during the year	-	-	-	-	-	-	-	(10)	(125,380)	-	(125,390)
Balance as at December 31, 2013	4,767,634	2,057,264	132,812	36,800	28,955,826	2,783,209	73,312	722,729	212,406	217,312	39,959,304
DEPRECIATION											
Balance as at January 01, 2012	-	34,080	-	3,201	217,319	425,163	2,295	59,510	177,149	48,561	967,278
Charge for the year - note 23.1.3	-	101,661	-	9,600	698,441	215,368	7,887	43,614	28,632	23,610	1,128,813
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	74,917	-	74,917
Charge on disposals	-	-	-	-	(91)	-	-	-	(84,167)	-	(84,258)
Balance as at December 31, 2012	-	135,741	-	12,801	915,669	640,531	10,182	103,124	196,531	72,171	2,086,750
Balance as at January 01, 2013	-	135,741	-	12,801	915,669	640,531	10,182	103,124	196,531	72,171	2,086,750
Charge for the year - note 23.1.3	-	106,396	5,064	9,600	93,648	128,026	8,472	46,096	24,453	2,523	424,278
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	63,280	-	63,280
Charge on disposals	-	-	-	-	-	-	-	-	(92,756)	-	(92,756)
Balance as at December 31, 2013	-	242,137	5,064	22,401	1,009,317	768,557	18,654	149,220	191,508	74,694	2,481,552
Book value as at December 31, 2012	4,767,634	1,917,462	-	23,999	27,167,373	2,142,678	59,722	574,637	47,770	145,141	36,846,416
Book value as at December 31, 2013	4,767,634	1,815,127	127,748	14,399	27,946,509	2,014,652	54,658	573,509	20,898	142,618	37,477,752

23.1.1 Freehold land, buildings on freehold land, railway siding, plant and machinery and tools and other equipment were revalued by an independent valuer M/s Pirsons Chemical Engineering (Private) Limited on September 30, 2011 on current market value basis. The revaluation surplus net of deferred tax was credited to surplus on revaluation of operating fixed assets. Had there been no revaluation, the carrying amounts of the following classes of assets would have been as follows:

	2013	2012
	(Rupees in thousand)	
Freehold land	3,387,787	3,387,787
Buildings on freehold land	1,421,839	1,509,190
Railway siding	1,223	6,312
Plant and machinery	16,478,164	15,653,706
Tools and other equipment	355,344	341,642
	21,644,357	20,898,637

23.1.2 Included in plant and machinery are assets costing Rs 34.613 million which are installed at the manufacturing facilities of the group's customers namely Iceberg Gas Company, Coca-Cola Beverages Pakistan Limited and Shamim & Company (Private) Limited as these assets are used for sales to these customers.

		2013	2012
		(Rupees in thousand)	
23.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	- note 35	204,254	829,836
Administrative expenses	- note 36	215,658	296,239
Selling and distribution expenses	- note 37	4,366	1,975
Unallocated expenditure		-	763
		424,278	1,128,813

23.1.4 Disposal of operating fixed assets

2013 (Rupees in thousand)

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles	**Ex - employees**					
	Muhammad Nabeel	650	574	76	234	As per company policy
	Saleem Shahzad	765	599	166	354	- do -
	M. Qaisar Imran	876	482	394	600	- do -
	Kaleemullah Memon	785	679	106	372	- do -
	Adeel Haider	785	693	92	375	- do -
	Maj.(R) Muhammad Pervaiz	780	701	79	284	- do -
	Israr Ali Memon	610	559	51	191	- do -
	Irfan Ali	695	591	104	285	- do -
	Faisal Baig	1,328	1,238	90	133	- do -
	Ahsan Sarfaraz	1,541	694	847	1,359	- do -
	M.Jawad Ahmed Khan Sherwani	670	436	234	394	- do -
	Najam Abbas	881	484	397	445	- do -
	Abdul Rab	695	486	209	284	- do -
	Yasir Imtiaz	1,350	720	630	630	- do -
	Naveed Ahmed	951	570	381	375	- do -
	Shahab Arshad	1,318	769	549	1,061	- do -
	Riaz Ahmad Abbasi	827	633	194	446	- do -
	Nauman Arshad	893	655	238	565	- do -
	Atiq Ur Rehman	715	536	179	355	- do -
	Tariq Faiz	1,476	714	762	800	- do -
	Khalid Javed	1,297	994	303	630	- do -
	Muhammad Ilyas Grewal	1,255	900	355	1,116	- do -
	Rashid Razzaq	727	388	339	524	- do -
	Farhan K Ghori	1,297	994	303	697	- do -
	Yasin Zaffar	529	405	124	111	- do -
	Athar Mumtaz	1,476	861	615	669	- do -
	C/f	25,172	17,355	7,817	13,290	

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

		2013 (Rupees in thousand)				
Particulars	**Sold to**	**Cost**	**Accumulated depreciation**	**Book value**	**Sale proceeds**	**Mode of disposal**
	B/f	25,172	17,355	7,817	13,290	
	Gulam Rasool	1,133	812	321	311	As per company policy
	Tarique Ali Khuro	934	467	467	463	- do -
	Moghees Haider	927	556	371	503	- do -
	Ali Raza Soomro	878	614	264	253	- do -
	Muhammad Noman Arain	916	595	321	375	- do -
	Abdul Momin	1,488	942	546	542	- do -
	Tariq Qasim Khan	1,921	1,216	705	1,182	- do -
	Shabir Ahmed Dar	1,485	965	520	620	- do -
	Latif Khan	1,353	857	496	794	- do -
	Liaqat Ali Khan	1,964	1,342	622	1,181	- do -
	Mazhar ishaq	1,488	942	546	891	- do -
	Muzumil Saleem	727	460	267	438	- do -
	Muhammad Shoaib Majeed	542	398	144	162	- do -
	Brig (R) Syed Nazarat Bashir	1,539	795	744	666	- do -
	Nasir Hussain	929	464	465	729	- do -
	Farhat Malik	1,414	1,131	283	928	- do -
	Zubair Hassan	715	572	143	311	- do -
	Junaid Shakeel	671	547	124	270	- do -
	Asif Abbas	696	556	140	294	- do -
	Rizwan Malik	826	674	152	427	- do -
	Furqan Habib Durani	695	544	151	283	- do -
	Raja Ghazanwer Ansari	622	507	115	219	- do -
	Rizwan Majeed	671	536	135	266	- do -
	M. Mudassar Shah	826	674	152	426	- do -
	Syed Adeel Ahmed	825	673	152	426	- do -
	Shahid Hussain	826	674	152	425	- do -
	Ali Ahmad Javed	826	674	152	426	- do -
	M. Hashim	529	432	97	121	- do -
	Naveed Zafar	1,256	1,109	147	113	- do -
	Muhammad Saleem Zafar	1,297	1,037	260	269	- do -
	Employees					
	Kamran Qureshi	1,103	1,010	93	1,032	- do -
	C/f	57,193	40,130	17,064	28,635	

		2013 (Rupees in thousand)				
Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
	B/f	57,193	40,130	17,064	28,635	
	Muhammad Iqbal Khan	929	402	527	522	As per company policy
	Anil Zia	826	632	194	159	- do -
	Zulfiqar Ali	932	606	326	628	- do -
	Mazhar Abbas	825	592	233	516	- do -
	Ishtiaq Ahmad	901	631	270	240	- do -
	Muhammad Shahid	708	495	213	410	- do -
	Syed Muhammad Arif Zaki	678	543	135	265	- do -
	Muhammad Farooq	1,297	1,037	260	896	- do -
	Waqas Ahmad	715	572	143	311	- do -
	Muhammad Ali Qureshi	893	714	179	492	- do -
	Muhammad Asghar	1,414	1,131	283	932	- do -
	Ghulam Rasool	715	572	143	289	- do -
	Syed Muhammad Nadeem	825	674	151	422	- do -
	M.Saleem	529	441	88	120	- do -
	M.Waseem	826	674	152	427	- do -
	Abdul Rauf	825	646	179	416	- do -
	M. Aleem	826	674	152	426	- do -
	Hafiz Hamza Nauman	696	544	152	284	- do -
	M. Muzaffar Hussain Shah	893	744	149	486	- do -
	Abdul Rehman	690	551	139	278	- do -
	Saad Khalid	790	644	146	379	- do -
	Abdul Jabbar	622	507	115	205	- do -
	Abdul Majeed Zia	1,476	935	541	774	- do -
	Waheed Ahmed	1,732	1,126	606	808	- do -
	Accidental loss	24,935	17,455	7,480	22,000	Insurance claim
	Accidental loss	1,443	1,034	409	1,384	- do -
	Accidental loss	1,998	699	1,299	2,088	- do -
	Accidental loss	1,406	1,030	378	1,354	- do -
	Outside party					
	Noor Hayat	1,903	1,656	246	1,496	Auction
Other assets with book value less than Rs 50,000		14,948	14,666	282	7,364	- do -
		125,390	92,756	32,634	75,006	

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

		2012 (Rupees in thousand)				
Particulars	**Sold to**	**Cost**	**Accumulated depreciation**	**Book value**	**Sale proceeds**	**Mode of disposal**
Vehicles	**Ex - employees**					
	Khurram Shahzad	712	560	152	521	As per company policy
	Munir Ahmed Bhatti	1,070	876	194	575	- do -
	Syed Muhammad Ali Shah	648	553	95	244	- do -
	Muhammad Zeeshan Nasim	878	702	176	604	- do -
	Fahad Ishfaq	878	702	176	604	- do -
	Waqas Zaib	899	285	614	656	- do -
	Feroz Ahmed Tariq	825	454	371	324	- do -
	Javed Ghafoor Lodhi	906	332	574	525	- do -
	Sohail Shahzad	922	430	492	648	- do -
	Kashif Aleem Khan	828	469	359	363	- do -
	Amir Mahmood	893	357	536	526	- do -
	Alamgir Khan	1,298	843	455	981	- do -
	Islamuddin Memon	922	415	507	522	- do -
	Faisal Karim	1,515	631	884	801	- do -
	Jamal Nasir	695	359	336	484	- do -
	M. Usman Khalid	700	480	220	256	- do -
	Jamal Abdul Nasir	944	802	142	183	- do -
	Liaqat Ali	649	551	98	243	- do -
	Adnan Ashraf	1,256	669	587	1,061	- do -
	Inam Ullah Zaffar	1,349	472	877	790	- do -
	Abdul Haque Sajid	1,298	756	542	1,110	- do -
	Muhammad Akbar	1,350	472	878	860	- do -
	Kashif Ahmad Shahzad	737	356	381	476	- do -
	Employees					
	Mubashar Hanif Khan	682	534	148	421	- do -
	Sohail Bashir	928	803	125	703	- do -
	Farrukh Iqbal	1,071	820	251	763	As per company policy
	Raheel Ahmed	538	421	117	127	- do -
	Salman Saleem	878	746	132	475	- do -
	Muhammad Sajjad Hadir	639	532	107	147	- do -
	Mahmood Javed	649	551	98	160	- do -
	Sohail Sharif	520	442	78	111	- do -
	C/f	28,077	17,375	10,702	16,264	

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		2012 (Rupees in thousand)				
	B/f	28,077	17,375	10,702	16,264	
	Farooq Ahmad Rana	878	746	132	389	As per company policy
	Muhammad Saeed	649	551	98	244	- do -
	Tahir Asghar Raja	878	746	132	475	- do -
	Muhammad Atif Masood	649	551	98	244	- do -
	Waseem Zaman	639	532	107	147	- do -
	Muhammad Faisal Gurmani	525	446	79	116	- do -
	Muhammad Nauman Talat	596	507	89	190	- do -
	Yousaf Ali	516	438	78	117	- do -
	Muhammad Afzal Bajwa	878	746	132	475	- do -
	Mohammad Mohtashim Ali	516	438	78	117	- do -
	Muhammad Usman	520	442	78	111	- do -
	Farhan Talib	682	568	114	269	- do -
	Muhammad Abubakar	672	594	78	266	- do -
	Amjad Manzoor	682	614	68	269	- do -
	Shams Ur Rehman Afzal	1,297	605	692	527	- do -
	Imran Hameed	644	515	129	127	- do -
	Ammar Anwar Ch.	888	355	533	526	- do -
	Qadeer Ahmed Khan	1,887	1,507	380	444	- do -
	Qadeer Ahmed Khan	1,118	875	243	479	- do -
	Farhan Rashid	899	359	540	529	- do -
	Sahrish Khawaja	606	484	122	191	- do -
	Yousaf Imran Khan	893	387	506	479	- do -
	Rashid Ali Rashid	893	387	506	494	- do -
	Muhammad Khalid	928	417	511	525	- do -
	Muhammad Yaqoob	928	417	511	525	- do -
	Muhammad Yasin	899	389	510	528	- do -
	Afzal Ahmad Khan Babar	1,450	1,063	387	375	As per company policy
	Azhar Nawaz	520	416	104	111	- do -
	M. Asif Javed	525	420	105	116	- do -
	Kamil Hussain	520	416	104	31	- do -
	Muhammad Iqbal Baig	644	515	129	301	- do -
	C/f	52,896	34,821	18,075	26,001	

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

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		2012 (Rupees in thousand)				
	B/f	57,193	40,130	17,064	28,635	
	Muhammad Shahid	649	519	130	306	As per company policy
	Faryad Hussain	644	526	118	239	- do -
	Syed M. Ali	649	530	119	244	- do -
	Hafiz Imran Anjum Saleemi	899	329	570	529	- do -
	M. Bilal Arshad	893	372	521	529	- do -
	Mudassar Hafeez	899	359	540	529	- do -
	Shahid Habib	825	495	330	481	- do -
	Imran Ali Bhatti	928	417	511	525	- do -
	Ahmad Majeed	908	393	515	482	- do -
	Accidental loss	1,387	555	832	1,325	Insurance claim
	Accidental loss	1,476	714	762	1,414	- do -
	Accidental loss	1,961	360	1,601	1,889	- do -
	Related parties					
	Reliance Weaving Mills Limited	1,635	1,291	344	344	Negotiation
	Fatima Fertilizer Company Limited	42,902	28,128	14,774	23,687	- do -
Plant & machinery	**Outside party**					
	Johnson Matthey Public Limited Company, United Kingdom	6,759	91	6,668	2,035	Negotiation
Other assets with book value less than Rs 50,000		14,358	14,358	-	4,089	
		130,668	84,258	46,410	64,648	

			2013	2012
			(Rupees in thousand)	
23.2	**Capital work - in progress**			
	Civil works	- note 23.2.1	11,713	119,974
	Plant and machinery	- note 23.2.2	51,795	665,657
	Advances - considered good			
	- against purchase of plant and machinery		3,835	80,158
	- to contractor		2,202	2,399
	- to suppliers		6,211	8,629
	Intangible asset under development - computer software		202	-
	Others		1,313	1,132
	Unallocated expenditure		-	(14,003)
			77,271	863,946

23.2.1 Includes purchases of Rs 0.026 million (2012: Rs 1.236 million) from FATIMA, a related party.

23.2.2 During the year, borrowing cost of Nil (2012: Rs 36.854 million) has been capitalised.

			2013	2012
			(Rupees in thousand)	
24.	**Assets subject to finance lease**			
	These represent vehicles leased by the company.			
	COST			
	Opening balance		253,594	371,452
	Transfer to operating fixed assets during the year		(91,715)	(117,858)
	Closing balance		161,879	253,594
	DEPRECIATION			
	Opening balance		132,468	142,070
	Charge for the year	- note 23.1	42,060	65,315
	Transfer to operating fixed assets during the year		(63,280)	(74,917)
	Closing balance		111,248	132,468
	Closing book value		50,631	121,126
	Annual depreciation rate%		20	20
	24.1 The depreciation charge for the year has been allocated as follows:			
	Cost of sales	- note 34	9,009	15,299
	Administrative expenses	- note 35	19,870	32,891
	Selling and distribution expenses	- note 36	13,181	17,125
			42,060	65,315

24.2 Vehicles of Rs 13.987 million (2012: Rs 42.902 million) are in possession and use of FATIMA, a related party on rental basis as referred to in note 40.2 to these financial statements.

		Computer software	Mining right	Total
		(Rupees in thousand)		
25.	**Intangible assets**			
	COST			
	Balance as at January 01, 2012	1,827	210,000	211,827
	Additions during the year	9,266	-	9,266
	Balance as at December 31, 2012	11,093	210,000	221,093
	Balance as at January 01, 2013	11,093	210,000	221,093
	Additions during the year	22,493	-	22,493
	Balance as at December 31, 2013	33,586	210,000	243,586

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

		Computer software	Mining right	Total
		(Rupees in thousand)		
AMORTIZATION				
Balance as at January 01, 2012		1,827	49,000	50,827
Charge for the year	- note 24.2	193	21,000	21,193
Balance as at December 31, 2012		2,020	70,000	72,020
Balance as at January 01, 2013		2,020	70,000	72,020
Charge for the year	- note 24.2	6,159	21,000	27,159
Balance as at December 31, 2013		8,179	91,000	99,179
Book value as at December 31, 2012		9,073	140,000	149,073
Book value as at December 31, 2013		25,407	119,000	144,407
Annual amortization rate%		25	10	

25.1 Mining rights represent rights acquired for extraction of rock phosphate from a block of area in District Abbottabad for a ten years period ending on August 11, 2019. The aforesaid area is in the possession and control of Pakistan Mining Company Limited ('PMCL'), a related party, which provides rock phosphate extraction services to the group as per the Services Agreement.

		2013	2012
		(Rupees in thousand)	
25.2 The amortization charge for the year has been allocated as follows:			
Cost of sales (included in raw materials consumed)		21,000	21,000
Administrative expenses	- note 36	6,159	193
		27,159	21,193

26. Goodwill

This represents goodwill on amalgamation as referred to in note 17 to these financial statements.

Impairment testing of goodwill has been carried out at the fertilizers segment level. The recoverable amount of the Cash Generating Unit has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond the five year period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the fertilizer industry. The recoverable amount calculated based on value in use exceeded carrying value by Rs 11,797.784 million. An annual growth rate of 11.23% or a rise in discount rate to 21.67% would remove the remaining headroom.

The key assumptions used in value-in-use calculations are as follows:

Budgeted annual operating days (average of next five years)		246
Long term/terminal growth rate		3%
Discount rate		20.53%
Carrying amount of the Cash Generating Unit	Rupees in thousand	40,614,057
Recoverable amount	Rupees in thousand	42,498,883

The above cash flow projections are principally based on the assumption that gas supply would resume to the group. During the previous and current year, the fertilizers segment has faced excessive gas shortages due to which the operations have remained suspended for major part of the years resulting into losses for the years. However, during the current year, the Government of Pakistan ('GOP') has approved long term gas supply arrangements from dedicated sources for fertilizer plants and subsequent to year end, GOP has announced to resume gas supply to the fertilizer sector from the existing gas supply network, based on which management feels that the current gas shortage is of a temporary nature and the gas supply will resume in the near future which would result in increased production as compared to previous and current years thereby leading to future profits.

		2013	2012
		(Rupees in thousand)	
27. Long term investments			
Available for sale:			
Held to maturity:			
- Other	- note 27.1	34,409	30,681
Advance against purchase of shares in Multan Real Estate Company (Private) Limited, Related party		64,004	62,596
		98,413	93,277

27.1 Investment - Other

This represents Defence Saving Certificates issued for a period of ten years, which will mature on September 11, 2019. Yield to maturity on these certificates is 12.15%. These certificates have been pledged as security with the Director General, Mines & Minerals, Government of Khyber Pakhtunkhwa as per the terms of the mining agreement as referred to in note 14.1.

		2013	2012
		(Rupees in thousand)	
28. Stores and spare parts			
Chemicals and catalysts	- note 28.1	1,109,427	1,158,793
Stores		130,562	144,353
Spare parts [including in transit Rs 8.609 million [(2012: Rs 86.915 million)]		1,746,758	1,799,153
		2,986,747	3,102,299
Less: Provision for obsolete items		76,224	76,224
	- note 28.2	2,910,523	3,026,075

28.1 Included in chemicals and catalysts is platinum, rhodium and palladium of Rs 69.337 million (2012: Rs 69.337 million) which is in the possession of Johnson Matthey Public Limited Company, United Kingdom on behalf of the company for refining purposes.

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

		2013	2012
		(Rupees in thousand)	
29. Stock-in-trade			
Raw materials	- note 29.2	823,379	1,687,433
Packing materials		37,347	50,727
Mid products		40,519	38,080
Work-in-process		31,487	61,796
Finished goods:			
- Own manufactured:			
Fertilizers		9,074	8,521
Emission reductions	- note 29.3	11,317	5,064
Polypropylene sacks and cloth		4,742	54,962
		25,133	68,547
- Fertilizer purchased for resale		18	-
		957,883	1,906,583

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

29.1 Raw materials and finished goods amounting to Rs 366.350 million (2012: Rs 981.903 million) are pledged with lenders as security against short term borrowings as referred to in note 16.

29.2 Includes rock phosphate amounting to Rs 42.068 million (2012: 10.567 million) and Rs 103.389 million (2012: Rs 279.863 million) which is in the possession of related parties, PMCL and FATIMA respectively. The rock phophate in possession of PMCL is due to the reason explained in note 25.1 to these financial statements and the rock phosphate in possession of FATIMA is due to the reason that it has been provided on loan basis.

29.3 This represents emission reductions costing Rs 34.169 million carried at their Net Realizable Value ('NRV') amounting to Rs 11.317 million. The NRV write down expense of Rs 22.852 million has been charged to cost of sales.

		2013	2012
		(Rupees in thousand)	
30. Trade debts			
Considered good:			
- Secured (by way of bank guarantees and security deposits)		27,031	103,121
- Unsecured	- note 30.2	307,495	571,325
		334,526	674,446

30.1 These are in the normal course of business and certain debts carry interest ranging from 1% to 9% (2012: 1% to 9%) per annum.

30.2 Includes the following amounts due from related parties:

	2013	2012
	(Rupees in thousand)	
Fatima Fertilizer Company Limited	38,396	8,818
Fatima Sugar Mills Limited	37,177	38,738
Reliance Weaving Mills Limited	3,008	1,588
Reliance Commodities (Private) Limited	3,957	-
Fazal Cloth Mills Limited	750	-
	83,288	49,144
The age analysis of trade debts due from related parties is as follows:		
Neither past due nor impaired	82,538	49,144
Past due but not impaired - 31 to 60 days	750	-
	83,288	49,144

			2013	2012
			(Rupees in thousand)	
31.	**Advances, deposits, prepayments and other receivables**			
	Advances - considered good:			
	- To employees	- note 31.1	5,017	16,747
	- To suppliers		36,788	68,389
	Trade deposits		100	100
	Prepayments		51,895	95,947
	Due from related party:			
	- Interest receivable on long term loans		-	1,477,634
	- Interest receivable on preference dividend receivable		-	94,017
	- Preference dividend receivable		-	1,337,214
	Interest receivable on bank deposits		2,114	1,035
	Balances with statutory authorities:			
	- Sales tax			
	- considered good		-	104,741
	- considered doubtful		8,911	8,911
			8,911	113,652
	- Income tax recoverable		2,947,884	2,849,127
	- Custom duty recoverable		9,811	9,811
	- Export rebate recoverable		2,421	572
	Letters of credit - margins, deposits, opening charges etc.		1,419	1,531
	Security deposits	- note 31.2	131,319	20,192
	Other receivables - considered good		28,757	12,887
			3,226,436	6,098,855
	Less: Provision for doubtful receivable		8,911	8,911
			3,217,525	6,089,944

31.1 Included in advances to employees are amounts due from executives of Rs 1.345 million (2011: Rs 6.950 million).

31.2 Includes an amount of Rs 100 million (2012: Nil) deposited with Sindh High Court, in respect of suit filed by the group in relation to proposed acquisition of DH Fertilizers Limited.

			2013	2012
			(Rupees in thousand)	
32.	**Short term investments**			
	Assets at fair value through profit or loss: Wateen Telecom Limited Nil (2012: 2,000,000) fully paid ordinary shares of Rs 10 each		-	5,960
			-	5,960
	Investment held for distribution to members		-	1,078,200
			-	1,084,160
33.	**Cash and bank balances**			
	At banks on:			
	- Saving accounts	- note 33.1 & 33.2	64,125	698,633
	- Current accounts	- note 33.2	96,703	290,657
			160,828	989,290
	In hand		4,573	5,152
			165,401	994,442

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

33.1 Profit on balances in saving accounts ranges from 5% to 10% (2012: 5% to 10%) per annum.

33.2 Included in saving accounts is an amount of Rs 0.256 million (2012: Rs 17.637 million) which bears mark up at the rate of 9% (2012: 9%) per annum and included in current accounts is an amount of Rs 4.005 million (2012: Rs 4.049 million), both placed with Summit Bank Limited, a related party.

			2013	2012
			(Rupees in thousand)	
34.	**Sales**			
	Fertilizer products:			
	- Own manufactured		5,064,733	8,772,572
	- Purchased for resale		3,522,521	21,497
			8,587,254	8,794,069
	Certified Emission Reductions (CERs)		2,009	223,310
	Mid products		241,684	520,500
	Rock phosphate		153,373	122,560
	Processing income	- note 34.1	-	12,551
			397,066	878,921
	Sales of fertilizers segment		8,984,320	9,672,990
	Polypropylene sacks and cloth	- note 34.2	1,435,824	-
	Export sales		54,297	-
	Export rebate		1,849	-
	Sales of sacks segment		1,491,970	-
			10,476,290	9,672,990
	Less:			
	Sales tax		1,475,137	1,255,351
	Sales incentive		302,130	259,836
	Discount		-	21,645
			1,777,267	1,536,832
			8,699,023	8,136,158

34.1 This represents income from processing services rendered for a related party, FATIMA.

34.2 Includes sales to the following related parties:

	2013	2012
Fatima Fertilizer Company Limited	701,438	-
Fatima Sugar Mills Limited	63,559	-
Reliance Weaving Mills Limited	8,173	-
Reliance Commodities (Private) Limited	11,000	-
Fazal Cloth Mills Limited	2,014	-
	786,184	-

			2013	2012
			(Rupees in thousand)	
35.	**Cost of sales**			
	Raw material consumed	- note 35.1 & 35.2	2,455,840	2,194,693
	Packing material consumed		13,723	98,237
	Liners consumed		200,662	-
	Liner insertion cost		11,866	-
			2,682,091	2,292,930
	Salaries, wages and other benefits	- note 35.3 & 35.4	617,808	691,704
	Fuel and power	- note 35.5	643,876	770,201
	Chemicals and catalysts consumed		107,778	42,431
	Spare parts consumed		111,676	183,705
	Stores consumed		43,910	66,489
	Travelling and conveyance		2,653	-
	Telephone, telex and postage		163	-
	Stationery, printing and periodicals		203	
	Repairs and maintenance		296,077	170,391
	Rent, rates and taxes	- note 35.4	2,089	-
	Insurance		275,446	282,609
	Vehicle running expenses	- note 35.4	990	-
	Entertainment	- note 35.4	618	-
	Depreciation on operating fixed assets	- note 23.1.3	204,254	829,836
	Depreciation on assets subject to finance lease	- note 24.1	9,009	15,299
	Toll manufacturing charges and freight	- note 35.6	709,822	-
	Utilities	- note 35.4	48,164	-
	Fees and subscription		95	-
	Others	- note 35.7	39,612	90,449
			5,796,334	5,436,044
	Opening stock of mid products and work-in-process		99,876	16,964
	Closing stock of mid products and work-in-process		(72,006)	(38,080)
			27,870	(21,116)
	Cost of goods manufactured		5,824,204	5,414,928
	Opening stock of finished goods		68,547	803,235
	Closing stock of finished goods		(25,133)	(13,585)
			43,414	789,650
	Cost of goods sold - own manufactured		5,867,618	6,204,578
	Cost of goods sold - purchased for resale	- note 35.8	2,415,259	16,299
			8,282,877	6,220,877

35.1 Includes feed gas consumed of Rs 576.356 million (2012: Rs 1,065.407 million) purchased from SNGPL, a related party.

35.2 Includes expenses of Rs 103.144 million (2012: Rs 113.503 million) for extraction of rock phosphate by Pakistan Mining Company Limited, a related party, as explained in note 25.1 to these financial statements.

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

		2013	2012
		(Rupees in thousand)	
35.3	**Salaries, wages and other benefits**		
	Salaries, wages and other benefits include following in respect of gratuity:		
	Current service cost	15,618	14,842
	Interest cost for the year	6,668	6,031
	Expected return on plan assets	(4,751)	(4,435)
		-	369
		17,535	16,807

In addition to the above, salaries, wages and other benefits include Rs 14.176 million (2012: Rs 16.221 million) and Rs 8.447 million (2012: Rs 17.607 million) in respect of provident fund contribution by the group and accumulating compensated absences respectively.

		2013	2012
		(Rupees in thousand)	
35.4	**Includes expenses charged by FATIMA, a related party:**		
	Salaries, wages and other benefits	60	-
	Rent against lease of land	578	-
	Vehicle running expenses	137	-
	Entertainment	347	-
	Utilities	48,164	-
		49,286	-

35.5 Includes fuel gas consumed of Rs 571.3 million (2012: Rs 715.540 million) purchased from SNGPL, a related party.

35.6 This includes processing services of Rs 679.291 million (2012: Nil) availed from FATIMA, a related party.

35.7 Includes operating lease rentals amounting to Rs 15.192 million (2012: Rs 14.234 million).

35.8 This includes fertilizer purchased from FATIMA, a related party amounting to Nil (2012: Rs 16.299 million).

			2013	2012
			(Rupees in thousand)	
36.	**Administrative expenses**			
	Salaries, wages and other benefits	- note 36.1	326,477	378,570
	Travelling and conveyance		17,535	71,579
	Telephone, telex and postage		17,938	15,528
	Stationery, printing and periodicals		8,577	6,138
	Rent, rates and taxes	- note 36.2	33,257	23,207
	Fee and subscription		132	205
	Repairs and maintenance		34,949	46,496
	Aircraft operating expenses	- note 36.3	75,830	89,281
	Insurance		14,410	12,933
	Legal and professional charges	- note 36.4	45,445	48,063
	Vehicle running expenses		7,069	9,084
	Entertainment		3,531	5,418
	Advertisement		1,003	2,986
	Depreciation on operating fixed assets	- note 23.1.3	215,658	296,239
	Depreciation on assets subject to finance lease	- note 24.1	19,870	32,891
	Amortization on intangible assets	- note 25.2	6,159	193
	CDM administrative expenses		2,151	7,202
	Others	- note 36.5	66,808	128,263
		- note 36.6	896,799	1,174,276

		2013	2012
		(Rupees in thousand)	
36.1	**Salaries, wages and other benefits**		
	Salaries, wages and other benefits include following in respect of gratuity:		
	Current service cost	5,602	5,623
	Interest cost for the year	2,392	2,286
	Expected return on plan assets	(1,849)	(1,681)
	Actuarial loss	-	140
	Less: amount charged to related party	(1,694)	(1,595)
		4,451	4,773

In addition to the above, salaries, wages and other benefits include Rs 9.091 million (2012: Rs 7.181 million) and Rs 6.913 million (2012: Rs 5.509 million) in respect of provident fund contribution by the group and accumulating compensated absences respectively.

36.2 Includes operating lease rentals amounting to Rs 14.967 million (2012: Rs 8 million).

36.3 Includes expenses of Rs 28.253 million (2012: Rs 34.152 million) for flying and maintenance services of the group's aircrafts by Air One (Private) Limited, a related party as per the Services Agreement.

		2013	2012
		(Rupees in thousand)	
36.4	**Professional services**		
	The charges for professional services include the following in respect of auditors' services for:		
	- Statutory audit	3,070	2,920
	- Half yearly review	-	825
	- Tax services	2,208	12,530
	- Assurance and other certification services	65	3,410
	- Out of pocket expenses	614	873
		5,957	20,558

36.5 Includes expenses of Rs 9.416 million (2012: Rs 38.532 million) for research and development activities of the extracted rock phosphate, which has been carried out by a foreign consultant.

36.6 Includes amount of Rs 173.986 million (2012: Rs 115 million) which represents common costs charged to the group by FATIMA, a related party, out of which Rs 172.913 million (2012: Rs 114.929 million) is covered under the Expense Sharing Agreement. Also included is an amount of Rs 114.603 million (2012: Rs 133.771 million) which represents common costs charged by the group to FATIMA, a related party as per the Expense Sharing Agreement.

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

		2013	2012
		(Rupees in thousand)	
37. Selling and distribution expenses			
Salaries, wages and other benefits	- note 37.1	20,947	33,970
Travelling and conveyance		2,017	4,167
Telephone, telex and postage		1,475	3,120
Stationery, printing and periodicals		284	976
Rent, rates and taxes	- note 37.2	7,157	12,723
Repairs and maintenance		793	2,635
Insurance		706	955
Vehicle running expenses		1,950	4,237
Entertainment		293	1,507
Advertisement and sale promotion		78,738	67,138
Depreciation on operating fixed assets	- note 23.1.3	4,366	1,975
Depreciation on assets subject to finance lease	- note 24.1	13,181	17,125
Transportation and freight		328,358	120,060
Fees and subscription		223	-
Utilities		171	455
Technical services		92	1,005
CERs share of Mitsubishi Corporation, Japan		44,988	25,026
Others		2,073	1,976
	- note 37.3	507,812	299,050

37.1 Salaries, wages and other benefits

	2013	2012
Salaries, wages and other benefits include following in respect of gratuity:		
Current service cost	7,992	6,637
Interest cost for the year	3,413	2,698
Expected return on plan assets	(2,432)	(1,984)
Past service cost	-	165
Less: amount charged to related party	(7,796)	(7,348)
	1,177	168

In addition to the above, salaries, wages and other benefits include Rs 8.234 million (2012: Rs 7.742 million) and Rs 4.739 million (2012: Rs 3.999 million) in respect of provident fund contribution by the group and accumulating compensated absences respectively.

37.2 Includes operating lease rentals amounting to Rs 17.502 million (2012: Rs 12.523 million).

37.3 Includes amount of Rs 27.045 million (2012: Rs 36.781 million) which represents common costs charged to the group by its related party, FATIMA as per the Expense Sharing Agreement. Also included is an amount of Rs 345.887 million (2012: Rs 425.150 million) which represents common costs charged by the group to its related party, FATIMA as per the Expense Sharing Agreement.

			2013	2012
			(Rupees in thousand)	
38.	**Finance cost**			
	Interest/mark up on:			
	- Listed TFCs - secured		28,686	329,864
	- PPTFCs - secured		331,551	633,526
	- Finance leases		3,845	12,478
	- Share deposit money from related party	- note 38.1	-	14,583
	- Short term borrowings - secured	- note 38.2	608,024	712,789
	- Short term borrowing from related party	- note 38.3	-	17,429
	- Long term loans - secured		412,728	589,664
	- Syndicated term finance - secured		47,203	230,502
	- Short term loan from related party - secured	- note 38.3	147,148	-
	Loan arrangement fees and other charges		6,072	22,385
	Acceptance commission on letter of credit		44,369	37,378
	Bank charges		10,020	10,438
			1,639,646	2,611,036

38.1 This relates to Fazal Cloth Mills Limited.

38.2 Includes interest expense of Rs 42.860 million (2012: Rs 51.835 million) on account of running finance facility availed from Summit Bank Limited, a related party.

38.3 This relates to FATIMA.

			2013	2012
			(Rupees in thousand)	
39.	**Other expenses**			
	Workers' welfare fund		-	68,084
	Workers' profit participation fund	- note 19	2,524	-
	Donations	- note 39.1	152,900	10,290
	Exchange loss		231,516	139,757
			386,940	218,131

Name and address of donee	Directors	Interest in donee	2013 (Rupees in thousand)	2012
Mukhtar A. Sheikh Trust, 2nd Floor, Trust Plaza, L.M.Q Road, Multan.	Mr. Fawad Ahmad Mukhtar & Mr. Faisal Ahmad Mukhtar	Trustees	150,000	5,640

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

		2013	2012
		(Rupees in thousand)	
40. Other income			
Income from financial assets:			
Income on bank deposits	- note 40.1	29,331	28,032
Income from FATIMA, a related party:			
- Interest income on long term loan (from STFF)		-	221,792
- Interest income on long term loan		-	313,515
- Interest income on short term loan		-	27,229
- Interest income on preference dividend receivable		24,147	94,017
- Accrued dividend on preference shares		-	194,067
Gain on conversion of preference shares		-	455,400
Unrealised gain on investment held to maturity		3,728	3,332
Mark-up on credit sale of fertilizers		388	5,956
Gain on disposal of short-term investment		2,808	-
Gain on derivative financial instruments		2,217	2,929
		62,619	1,346,269
Income from non-financial assets:			
Rental income	- note 40.2	45,517	46,587
Profit on disposal of operating fixed assets		42,372	18,238
Scrap sales and sundry income		57,300	24,387
Gain on recovery of chemical catalysts		-	9,468
Provisions and unclaimed balances written back		3,861	81,444
Income from biological laboratory		3,481	2,173
Excess insurance premium refunded		45,431	-
		197,962	182,297
		260,581	1,528,566

40.1 Includes interest income of Rs 13.282 million (2012: Rs 14.520 million) on saving account with Summit Bank Limited, a related party.

40.2 Includes rental income of Rs 31.511 million (2012: Rs 31.741 million) for vehicles in use of FATIMA, a related party as referred to in note 24.2 to these financial statements.

		2013	2012
		(Rupees in thousand)	
41. Taxation			
Current			
- For the year		34,588	76,768
- Prior years		-	(870,872)
		34,588	(794,104)
Deferred	- note 13	(987,991)	133,793
		(953,403)	(660,311)

The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 on turnover from local sales. In addition to this, it includes tax on exports and rental income which is full and final discharge of group's tax liability in respect of income arising from such sources.

	2013 % age	2012 % age
41.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	(1.94)	(0.40)
Exempt for tax purposes	(0.67)	6.01
Not taxable under the law	(0.02)	15.80
Chargeable at lower rate of tax	0.41	1.25
Chargeable at different rate of tax	0.01	(0.09)
Allowable as tax credit	2.07	0.26
Effect of change in prior years' tax	(0.25)	15.07
	(0.39)	37.90
Average effective tax rate	34.61	72.90

	2013 (Rupees in thousand)	2012 (Rupees in thousand)
42. Cash generated from operations		
Loss before taxation	(2,754,470)	(905,766)
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	424,278	1,128,813
- Depreciation on leased assets	42,060	65,315
- Amortization on intangible assets	27,159	21,193
- Retirement benefits accrued	72,035	56,817
- Profit on disposal of operating fixed assets	(42,372)	(18,238)
- Provisions and unclaimed balances written back	(3,861)	(81,444)
- Finance cost	1,639,646	2,611,036
- Income on bank deposits	(29,331)	(28,032)
- Interest income on loans to related party	(24,147)	(656,553)
- Loss on re-measurement of investments	-	47,120
- Gain on conversion of preference shares	-	(455,400)
- Dividend income on preference shares of related party	-	(194,067)
- Unrealised gain on investment held to maturity	(3,728)	(3,332)
- Unrealised gain on recovery of catalyst	-	-
- Exchange loss	231,516	91,955
- Gain on derivative financial instruments	(2,217)	(2,929)
- Gain on disposal of investment	(2,808)	-
Profit before working capital changes	(426,240)	1,676,488
Effect on cash flow due to working capital changes		
- Decrease/(increase) in stores and spare parts	115,691	(511,194)
- Decrease in stock-in-trade	948,700	150,780
- Decrease in trade debts	339,920	270,172
- Decrease in advances, deposits prepayments and other receivables	73,017	340,102
- Decrease in trade and other payables	169,124	(102,823)
	1,646,452	147,037
	1,220,212	1,823,525

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

		2013	2012
		(Rupees in thousand)	
43. Cash and cash equivalents			
Short term borrowings	- note 16	(5,096,459)	(6,006,224)
Cash and bank balances	- note 33	165,401	994,442
Bank overdraft	- note 21	(126)	-
		(4,931,184)	(5,011,782)

44. Remuneration of Chief Executive, Directors and Executives

44.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the group is as follows:

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	-	11,909	6,000	17,672	256,666	232,748
Bonus	-	-	-	-	755	-
Housing rent	-	5,311	-	5,307	96,937	106,668
Utilities	-	4,164	-	2,637	21,542	23,736
Conveyance	-	-	240	-	21,542	23,456
Medical expenses	-	21	-	8	10,074	12,425
Leave passage	-	-	1,000	-	34,901	36,536
Club expenses	-	3,804	-	535	-	-
Reimbursable expenses	-	-	-	-	1,227	-
Others	-	-	-	-	8,196	6,921
	-	25,209	7,240	26,159	451,840	442,490
Post employment benefits						
Contribution to provident and gratuity funds	-	-	-	-	36,862	41,026
Other long term benefits						
Accumulating compensated absences	-	-	-	-	35,334	33,222
	-	25,209	7,240	26,159	524,036	516,738
Number of persons	1	1	2	2	209	204

44.2 The group also provides the chief executive, directors and some of its executives with company maintained cars, travel facilities and club membership.

45. Transactions with related parties

The related parties comprise associated undertakings, other related parties, key management personnel and post employment benefit plans. The group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 44. Significant related party transactions have been disclosed in respective notes in these financial statements except for the following:

		2013	2012
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Associated undertakings	Sale of goods and services	179,646	339,224
	Purchase of goods	53,135	-
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	86,277	91,650

		2013	2012
46. Capacity and production			
Urea			
Rated production capacity	M. Tons	92,400	92,400
Actual urea produced	M. Tons	2,262	-
The low production of urea is due to shortage of natural gas and periodical maintenance.			
Nitro Phosphate (NP)			
Rated production capacity	M. Tons	304,500	304,500
Actual NP produced	M. Tons	48,382	75,732
The low production of NP is due to shortage of natural gas and periodical maintenance.			
Calcium Ammonium Nitrate (CAN)			
Rated production capacity	M. Tons	450,000	450,000
Actual CAN produced	M. Tons	55,419	100,302
The low production of CAN is due to shortage of natural gas and periodical maintenance.			
Polypropylene sacks			
Rated production capacity	No. of sacks	52,800,000	41,800,000
Actual sacks produced	No. of sacks	49,891,121	21,061,500

The low production of polypropylene sacks is due to the product mix.

47. Disclosures relating to Provident Fund

The company operates two provident funds:

(i) Employees' Provident Fund Trust Lahore

(ii) Employees' Provident Fund Trust Multan

The following information is based on the audited financial statements of the Funds as at June 30, 2013 and 2012:

	2013	2012
	(Rupees in thousand)	
Size of the Fund - total assets	297,775	236,914
Cost of investments made	220,290	197,964
Percentage of investments made	79%	88%
Fair value of investments	235,980	207,910
Break up of investments		
Special accounts in a scheduled bank	202,290	173,964
Mutual funds - listed	33,690	33,946

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

	2013	2012
	% age of size of the Fund	
Break up of investments		
Special accounts in a scheduled bank	68%	73%
Mutual funds - listed	11%	14%

Investments out of Provident Funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

48. Financial risk management

48.1 Financial risk factors

The group is exposed to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the group's Board of Directors (the Board). The group's finance department evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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 from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the group's foreign exchange risk exposure is restricted to bank balances and amounts receivable from/payable to the foreign entities.

At December 31, 2013 if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on pre tax loss for the year would have been Rs 120.402 million (2012: Rs 103.504 million) higher/lower, mainly as a result of exchange losses/gains on translation of USD denominated financial instruments.

At December 31, 2013 if the Rupee had weakened/strengthened by 5% against the Euro with all other variables held constant, the impact on pre tax loss for the year would have been Rs 2.591 million (2012: Rs 19.795 million) lower/higher, mainly as a result of exchange gains/losses on translation of Euro denominated financial instruments.

ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The group is not materially exposed to equity price risk since there are no significant investments in equity instruments traded in the market either classified as available-for-sale or at fair value through profit or loss at the reporting date. The group is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

iii) Interest rate risk

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

The group's interest rate risk arises from long term finances, lease liabilities, short term borrowings, derivative financial instruments and dividend receivable on preference shares. Borrowings obtained and loans provided at variable rates expose the group to cash flow interest rate risk.

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

	2013	2012
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Investment	34,409	30,681
Trade debts	26,140	101,503
Bank balances - saving accounts	64,125	698,633
	124,674	830,817
Financial liabilities	-	-
Net exposure	124,674	830,817
Floating rate instruments:		
Financial assets		
Dividend receivable on preference shares	-	1,337,214
Financial liabilities		
Long term finances	4,772,920	9,601,142
Liabilities against assets subject to finance lease	38,811	113,189
Short term loan from related party	3,000,000	-
Short term borrowings	5,096,459	6,006,224
Derivative financial instruments	-	714
	12,908,190	15,721,269
Net exposure	(12,908,190)	(14,384,055)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher/lower with all other variables held constant, pre tax loss for the year would have been Rs 129.044 million (2012: Rs 157.396 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate instruments.

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

b) **Credit risk**

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the group arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored and major sales to customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2013	2012
	(Rupees in thousand)	
Long term investments	98,413	93,277
Security deposits	36,218	60,409
Trade debts	269,570	207,550
Advances, deposits and other receivables	200,497	3,012,999
Short term investments	-	1,084,160
Cash and bank balances	165,401	994,442
	770,099	5,452,837

The company's exposure to credit risk is limited to the carrying amount of unsecured trade receivables and bank balances. The ageing analysis of trade receivable balances is as follows:

	2013	2012
	(Rupees in thousand)	
Neither past due nor impaired (upto 90 days)	269,570	207,550
Past due but not impaired:		
91 to 180 days	28,935	19,985
181 to 270 days	8,349	166,823
271 to 360 days	6,866	97,943
above 360 days	20,806	182,145
	64,956	466,896
	334,526	674,446

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from the particular customer. A provision for doubtful debts is established when there is objective evidence that the group will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial 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. The provision is written off by the group when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

The credit quality of company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Short term	Rating Long term	Rating Agency	2013 (Rupees in thousand)	2012 (Rupees in thousand)
Al Baraka Islamic Bank Limited	A1	A	PACRA	235	10,892
Allied Bank Limited	A1+	AA+	PACRA	37	604,087
Summit Bank Limited	A-3	A-	JCR-VIS	4,260	22,118
Askari Bank Limited	A1+	AA	PACRA	3	3
Bank Alfalah Limited	A1+	AA	PACRA	5	62
Dubai Islamic Bank Limited	A-1	A	JCR-VIS	73	73
Faysal Bank Limited	A1+	AA	PACRA	3,345	11,799
Habib Bank Limited	A-1+	AAA	JCR-VIS	77,802	250,549
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	28	100
MCB Bank Limited	A1+	AAA	PACRA	9,284	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	5,094	5,472
National Bank of Pakistan	A-1+	AAA	JCR-VIS	468	3,827
Silkbank Limited	A-2	A-	JCR-VIS	-	1
Standard Chartered Bank (Pakistan) Limited"	A1+	AAA	PACRA	4,673	11,248
United Bank Limited	A-1+	AA+	JCR-VIS	46,124	44,978
Zarai Taraqiati Bank Limited	A-2	A	JCR-VIS	56	55
Bank Islami Pakistan Limited	A1	A	PACRA	421	19,141
Sindh Bank Limited	A-1+	AA-	JCR-VIS	5,635	3,827
Burj Bank Limited	A-1	A	JCR-VIS	1,355	1,058
The Bank of Punjab	A1+	AA-	PACRA	9	-
KASB Bank Limited	A-2	BBB+	JCR-VIS	1,921	-
				160,828	989,290

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

c) **Liquidity risk**

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

The group's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the group's reputation.

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

The following are the contractual maturities of financial liabilities as at December 31, 2013 and December 31, 2012:

At December 31, 2013

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	4,772,920	3,164,420	1,608,500	-
Import bill payable	2,524,800	1,424,800	1,100,000	-
Liabilities against assets subject to finance lease	38,811	38,811	-	-
Long term deposits	47,145	-	-	47,145
Short term loan from related party	3,000,000	3,000,000	-	-
Short term borrowings	5,096,459	5,096,459	-	-
Trade and other payables	2,708,707	2,708,707	-	-
Accrued finance cost	346,031	346,031	-	-
	18,534,873	15,779,228	2,708,500	47,145

At December 31, 2012

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term finances	9,601,142	4,828,218	4,772,924	-
Import bill payable	2,330,400	842,000	1,488,400	-
Liabilities against assets subject to finance lease	113,189	63,511	49,678	-
Payable against mining rights	21,000	21,000	-	-
Long term deposits	46,180	-	-	46,180
Short term borrowings	6,006,224	6,006,224	-	-
Derivative financial instruments	714	714		
Trade and other payables	2,138,500	2,138,500	-	-
Accrued finance cost	371,016	371,016	-	-
Dividend payable	1,078,200	1,078,200	-	-
	21,706,565	15,349,383	6,311,002	46,180

48.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2013.

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Total assets	-	-	-	-
Total liabilities	-	-	-	-

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2012.

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
At fair value through profit or loss				
Ordinary shares of Wateen Telecom Limited	5,960	-	-	5,960
Total assets	5,960	-	-	5,960
At fair value through profit or loss				
Derivative financial instruments	-	714	-	714
Total liabilities	-	714	-	714

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

The carrying value less impairment provision of trade and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

48.3 Financial instruments by categories

	Held to maturity	Loans and receivables	Total
		(Rupees in thousand)	
At December 31, 2013			
Liabilities as per balance sheet			
Security deposits	-	36,218	36,218
Trade debts	-	334,526	334,526
Advances, deposits and other receivables	-	162,190	162,190
Investments	34,409	64,004	98,413
Cash and bank balances	-	165,401	165,401
	34,409	762,339	796,748

As at December 31, 2013	Financial liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term finances	4,772,920
Import bill payable	2,524,800
Liabilities against assets subject to finance lease	38,811
Long term deposits	47,145
Short term loan from related party	3,000,000
Short term borrowings	5,096,459
Trade and other payables	2,708,707
Accrued finance cost	346,031
	18,534,873

As at December 31, 2012	Assets at fair value through profit or loss	Held to maturity	Loans and receivables	Total
		(Rupees in thousand)		
Assets as per balance sheet				
Security deposits	-	-	60,409	60,409
Trade debts	-	-	570,992	570,992
Advances, deposits and other receivables	-	-	3,030,931	3,030,931
Investments	5,960	30,681	62,596	99,237
Cash and bank balances	-	-	993,957	993,957
	5,960	30,681	4,718,885	4,755,526

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
		(Rupees in thousand)	
At December 31, 2012			
Liabilities as per balance sheet			
Long term finances	-	9,351,891	9,351,891
Import bill payable	-	2,330,400	2,330,400
Liabilities against assets subject to finance lease	-	113,189	113,189
Payable against mining rights	-	21,000	21,000
Long term deposits	-	46,180	46,180
Short term borrowings	-	5,814,085	5,814,085
Derivative financial instruments	714	-	714
Trade and other payables	-	1,996,874	1,996,874
Accrued finance cost	-	365,673	365,673
Dividend payable	-	1,078,200	1,078,200
	714	21,117,492	21,118,206

48.4 Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital includes equity as shown in the balance sheet plus net debt. The gearing ratios as at December 31, 2013 and 2012 were as follows:

		2013	2012
		(Rupees in thousand)	
Borrowings -	note 8, 14 & 15	7,772,920	9,351,891
Less: Cash and cash equivalents	- note 43	(4,931,184)	(5,011,782)
Net debt		12,704,104	14,363,673
Total equity (includes surplus on revaluation of operating fixed assets)		18,079,402	19,887,967
Gearing ratio	**Percentage**	41%	42%

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

		2013	2012
49.	**Number of employees**		
	Total number of employees as at December 31	1,021	1,096
	Average number of employees during the year	1,064	945

50. Details of subsidiary

Name of subsidiary	Accounting year end	Percentage of holding	Country of incorporation
Reliance Sacks Limited	December 31, 2013	100%	Pakistan

51. Date of authorization for issue

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

Chief Executive

Director

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Pattern of Shareholding as at December 31, 2013
Disclosure Requirement under the Code of Corporate Governance

Details of holding as on December 31, 2013

	Shares held
1. Associated Companies, Undertakings and Related Parties	
Reliance Commodities (Pvt) Limited	7,136,613
Fazal Cloth Mills Limited	25,790,610
Fatima Sugar Mills Limited	71,250,558
Arif Habib Corporation Limited	135,000,000
2. Mutual Funds	-
3. Directors and their spouse(s) and minor children	
Mr. Arif Habib - Chairman	50,624,877
Mr. Fawad Ahmed Mukhtar - CEO	12,499,995
Mr. Rehman Naseem	964,425
Mr. Fazal Ahmed Shekih	30,943,236
Mr. Faisal Ahmed Mukhtar	30,943,236
Mr. Nasim Beg	1
Mr. Abdus Samad	1
Mr. Muhammad Kashif	1
Mrs. Zetun Arif	39,375,120
Mrs. Ambreen Fawad	3,577,410
Miss Meraj Fatima	4,030,431
Mr. Amin Rehman Fazal	6,428,045
Mr. Sadek Rehman	6,428,052
4. Executives	-
5. Public Sector companies and corporations	-
6. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	-
7. Shareholders holding five percent or more voting rights	
Arif Habib Corporation Limited	135,000,000
Fatima Sugar Mills Limited	71,250,558
Fazal Cloth Mills Limited	25,790,610
Mr. Arif Habib	50,624,877
Mrs. Zetun Arif	39,375,120
Mr. Faisal Ahmed Mukhtar	30,943,236
Mr. Fazal Ahmed Sheikh	30,943,236

Pattern of Shareholding as at December 31, 2013

Shareholding From	Shareholding To	No. of Shareholders	Total Shares held	Percentage
1	100	3	3	0.00
900,001	965,000	1	964,425	0.21
3,575,001	3,580,000	1	3,577,410	0.79
4,030,001	4,035,000	4	16,121,724	3.58
6,425,001	6,430,000	2	12,856,097	2.86
6,455,001	6,460,000	2	12,916,096	2.87
7,135,001	7,140,000	1	7,136,613	1.59
12,495,001	12,500,000	1	12,499,995	2.78
25,790,001	25,795,000	1	25,790,610	5.73
30,940,001	30,945,000	2	61,886,472	13.75
39,375,001	39,380,000	1	39,375,120	8.75
50,620,001	50,625,000	1	50,624,877	11.25
71,250,001	71,255,000	1	71,250,558	15.83
134,995,001	135,000,000	1	135,000,000	30.00
Total		**22**	**450,000,000**	**100**

Pattern of Shareholding as at December 31, 2013
Category - wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	185,814,830	41.29
Associated Companies, undertakings and related parties	239,177,781	53.15
Executives	-	-
Public Sector Companies and Corporation	-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	-	-
Mutual Funds	-	-
General Public		
a. Local	-	-
b. Foreign	-	-
Others	25,007,389	5.56
Total	**450,000,000**	**100.00**

Financial Calendar

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

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

Form of Proxy
41st Annual General Meeting

I/We ______________________________

of ______________________________

being a member(s) of Pakarab Fertilizers 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 41st Annual General Meeting of the Company to be held on April 30, 2014 and / or any adjournment thereof.

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

Signed by ______________________________

in the presence of ______________________________

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

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, E-110, Khayaban-e-Jinnah, Lahore Cantt., not less 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

PAKARAB FERTILIZERS LIMITED
E-110, Khayaban-e-Jinnah,
Lahore Cantt.

www.fatima-group.com

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VANTAGE