Annual Report 2015

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 behavior 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
Executive Director

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

Mr. Nasim Beg
Non-Executive Director

Mr. Rehman Naseem
Non-Executive Director

Mr. Abdus Samad
Non-Executive Director

Mr. Muhammad Kashif Habib
Non-Executive Director

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. Arif Ur Rehman
Chief Manufacturing Officer

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Ahsen Ud Din
Director Technology Division

Mr. Haroon Waheed
Group Head of Human Resource

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Fuad Imran Khan
Chief Information Officer

Mr. Javed Akbar
Head of Procurement

Mr. Kashif Mustafa Khan
Incharge of Internal Audit

Brig. (Retd) Adeeb Azam
General Manager Administration

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
F- 042 35715872

Cost Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co
Chartered Accountants
96-B-1, 4th Floor, Pace Mall Building,
M.M. Alam Road, Gulberg-II Lahore.
Tel: +92 42 3577 8402-11
Fax: +92 42 3577 8412-13
Eyfrsh.lhr@pk.ey.com
Ey.com/pk

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
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Oman 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

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 share 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 N_2O 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/Non-Executive Director

Mr. Arif Habib is the Chairman of Pakarab Fertilizers Limited. He is also the Chief Executive Officer of Arif Habib Corporation Limited, director of Pakarab Energy Limited and Chairman of Fatimafert Limited, Fatima Fertilizer Company Limited, Aisha Steel Mills Limited and Javedan Corporation Limited. Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan. Presently, he is a Director on the Boards of Pakistan International Airlines and Sui Northern Gas Pipelines Limited. Mr. Habib participates significantly in welfare activities. He is one of the trustees of Fatimid Foundation and Memon Health & Education Foundation as well as a director of Pakistan Centre for Philanthropy and Karachi Education Initiative.

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, and in addition to being a successful business leader, he is also a renowned philanthropist. Following his graduation, he has spent 30 years in developing his family business into a sizable 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 is also the Chairman of Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Air One (Private) Limited, and is also the CEO of Fatima Fertilizer Company Limited and Fatimafert Limited. He is also the Director of Fatima Transmission Company Limited and Pakarab Energy Limited. In addition, he is member Board of Directors of "The National Management Fund" – a parent body of Lahore University of Management Sciences (LUMS).

Mr. Fazal Ahmed Sheikh
Executive Director

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

Mr. Rehman Naseem
Non-Executive Director

Mr. Rehman Naseem is a 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, Fazal Weaving Mills Limited, Fazal Rehman Fabrics Limited, Zafar Nasir Oil Extraction Limited, Hussain Ginneries Limited, Amir Fine Exports (PVT) Limited, Fazal Farms (Pvt) 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 is also the Chairman of Workers Welfare Board at Pakarab Fertilizers Limited and is member Board of Directors at Fatima Fertilizer Company Limited, Fatimafert Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fatima Energy Limited, Fatima Electric Company Limited, Pakarab Energy Limited, Reliance Weaving Mills Limited, Reliance Commodities (Private) Limited, Fazal Cloth Mills Limited, and Air One (Private) Limited. Additionally he was also a member in the Provincial Finance Commission (Punjab), Steering Committee of Southern Punjab Development Project and Decentralization Support Program.

Mr. Nasim Beg
Non-Executive Director

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

Mr. Abdus Samad
Non-Executive Director

Mr. Abdus Samad is a Director of the Company. He holds a Master's degree in Business Administration and has more than 15 years of experience, including 9 years of working in the financial services industry in various senior management roles. He began his career with Arif Habib Corporation Limited (the holding company of Arif Habib group) and has served the company in various executive positions including Executive Sales and Business Promotions, Company Secretary, Head of Marketing, etc.
In September 2004, he was appointed the Chairman and Chief Executive of Arif Habib Limited. As Chairman he was responsible for the strategic direction of the company and was actively involved in capital market operations and corporate finance activities such as serving corporate clients, institutional clients, high net worth individuals, and raising funds for clients through IPO's, private placements etc.
He resigned from that position in January 2011. Mr. Samad A. Habib is the Chief Executive of Javedan Corporation Limited and director of Arif Habib Corporation Limited, Arif Habib Equity (Pvt.) Limited, Arif Habib Dolmen REIT Management Limited, MCB-Arif Habib Savings & Investments Limited, International Complex Projects Limited, Nooriabad Spinning Mills (Pvt.) Limited, Pakarab Fertilizers Limited, Pakistan Opportunities Limited, Power Cement Limited, Real Estate Modaraba Management Company Limited, Rotocast Engineering Company (Pvt.) Limited and Safemix Concrete 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 Limited and Safe Mix Concrete Limited. He is also Director of Arif Habib Corporation Limited, Fatima Fertilizer Company Limited, Fatimafert Limited, Bubber Sher (Pvt.) Limited, Reliance Sacks Limited, Javedan Corporation Limited, Aisha Steel Mills Limited, Arif Habib Dolmen REIT Management Limited, Rotocast Engineering Company (Pvt.) Limited and Memon Health & Education Foundation.

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, 2018. 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 stockholders. 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. Muhammed 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 Comittee is to assist the Board by performing the following main functions:

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

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

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

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

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

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

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

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

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

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

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

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

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

l) determination of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

Composition

The Human Resource and Remuneration Committee consists of four members of the Board. 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 and monitoring the succession plans of key positions in the Company;

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

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

2. Reporting Responsibilities

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

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

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

3. Authorities and Powers

The Committee is authorised and empowered:

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

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

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

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 manufacturing from abroad. Over the last 55 years of his career, he remained part of the 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 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. During this period, Plant operated par excellence and its design capacity increased to more than double. In 2001, when FFBL faced serious challenges, he took responsibility as head of the manufacturing and was instrumental in a major revamp which improved the capacity by 25 %.

He has been with Fatima Group for the last 10 years and played a significant role in establishment and progress of Fatima Fertilizer plant and operational improvements in Pakarab Fertilizers.

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

He is also Director of several other Group Companies namely Fatima Energy Ltd, Pakarab Energy Ltd, Fatimafert Ltd, Bubber Sher (Pvt) Ltd, Fatima Ventures (Pvt) Ltd and Fatima Electric Co Ltd.

Mr Arif Ur Rehman
Chief Manufacturing Officer

Mr. Arif-ur-Rehman is a chemical engineer and has over 34 years of experience in the fertilizer and petrochemical industries. He has been a part of number of successful projects from construction to commissioning. These include Fauji Fertilizer Company, Fauji Fertilizer Bin Qasim and ICI (PTA Plant). He also worked on various foreign assignments.

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 at Engro Chemicals and Engro Polymers, where he held various senior management positions.

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 33 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol- Myers Squibb (BMS). In his 20 years' plus career at BMS, he held various senior management positions in Pakistan, South Korea, Egypt and Singapore in the areas of nance, corporate compliance and strategic project planning.

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 Accountant. 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. Haroon Waheed
Group Head of HR

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

Mr. Iftikhar Mahmood Baig
Director Business Development

Iftikhar Mahmood Baig is Director Business Development of Fatima Group. He is a Fellow Member of Institute of Chartered Secretaries and Managers of Pakistan. He has 32 years of Financial & Commercial experience. Over the course of his tenure with Fatima Group, he played an instrumental role in obtaining natural gas allocation of 110 MMCFD in 2004 and successfully achieving Financial Close of the largest rupee syndication of Rs. 23 billion in 2006 for the green field fertilizer manufacturing complex of Fatima Fertilizer Company Limited (Investment US$ 750 million). He also played a pivotal role in the acquisition of Pakarab Fertilizers Limited in 2005. He was associated with Fatima Energy Limited from conceptual stage until its implementation. Iftikhar is currently engaged in Gas management and LNG sourcing for Fertilizer Plants, Government Regulations/Regulatory Approvals and development of New Ventures in Power Sectors.

Mr. Fuad Imran Khan
Chief Information Officer

Dr. 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. Dr. Fuad's last assignment was with Warid Telecom as their Chief Information Officer.

Profile of the Key Management

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 brought 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 Courses on management and leadership from world renowned institutions like Insead, Harvard and MIT.

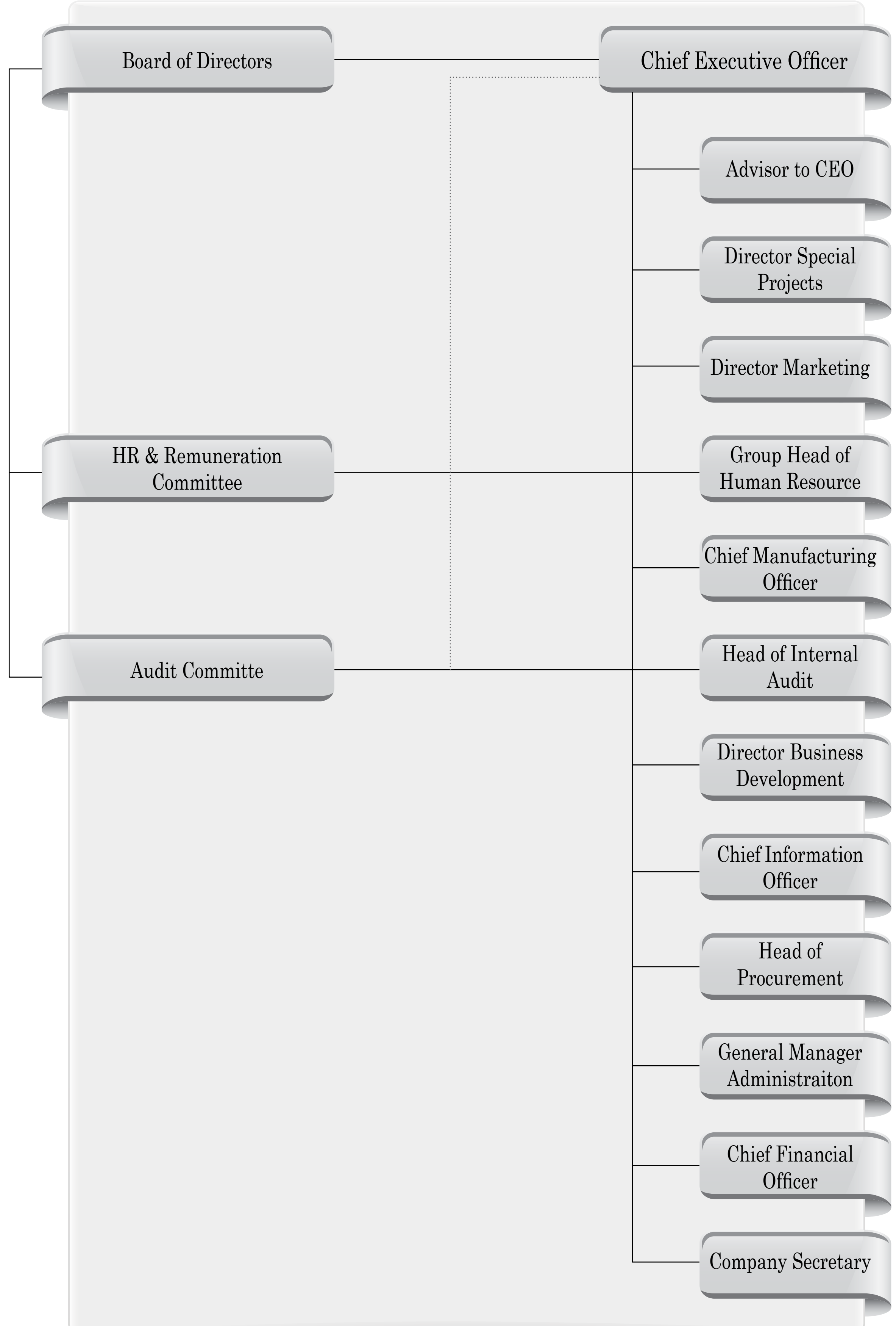
Kashif Mustafa Khan
Incharge of Internal Audit

Mr. Kashif Mustafa Khan is a Fellow Member of Institute of Cost and Management Accountants of Pakistan. He has diversied experience of over 21 years in the eld of nancial management, regulatory compliance, taxation, international reporting and business planning. He had worked with GlaxoSmithKline for 3 years and Honda Atlas Cars (Pakistan) Limited for 14 year before joining the Company in 2010. He has been serving as Head of Accounts and Taxation prior to his present role in the Organization.

Brig. (Retd) Adeeb Azam
General Manager Administraiton

Brig. Adeeb Azam joined Pakarab Fertilizers Limited's Administrative Services department as General Manager Administration. He has previously worked for 34 years with Pakistan Army. Brig Adeeb Azam has completed his Master's in Art and Science of Warfare, War Studies and National Security Strategy.

Organization Chart



Notice

of the 43rd Annual General Meeting

Notice is hereby given that the 43rd Annual General Meeting of the shareholders of PAKARAB FERTILIZERS LIMITED (the 'Company' or 'PFL') will be held on Saturday, April 30, 2016 at 12:30 p.m. at E-110, Khayaban-e-Jinnah, Lahore Cantt., to transact the following business:

Ordinary Business

1. To confirm minutes of the Extraordinary General Meeting held on December 31, 2015.

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, 2015 together with the audited consolidated financial statements of Pakarab Fertilizers Limited and subsidiary Reliance Sacks Limited for the year ended December 31, 2015 and the Auditors' Reports thereon.

3. To appoint Auditors for the year ending December 31, 2016 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, 2016

Notes:

1. The share transfer books of the Company will remain closed from April 24, 2016 to April 30, 2016 (both days inclusive). Transfers received in order at the registered office of the Company by the close of business on April 23, 2016 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 share data and ratios)

		Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015
Income Statement							
Turnover	Rs.	18,248	16,701	8,136	7,428	14,248	21,920
Cost of Goods Sold	Rs.	(9,051)	(7,188)	(6,221)	(7,143)	(12,264)	(17,353)
Gross Profit	Rs.	9,197	9,513	1,915	286	1,984	4,568
Admin Cost	Rs.	(780)	(969)	(1,165)	(888)	(731)	(879)
Distribution Cost	Rs.	(994)	(829)	(299)	(495)	(686)	(897)
Financial Cost	Rs.	(3,589)	(3,472)	(2,610)	(1,579)	(1,626)	(1,677)
Other Expenses	Rs.	(386)	(510)	(218)	(382)	(1)	(333)
Interest Income	Rs.	543	736	685	63		
Other Income	Rs.	866	1,119	843	198	1,036	333
Re-measurement gain / (loss)	Rs.	(121)	741	(47)	-	-	-
Share gain/(loss) of associated company	Rs.	(39)	(18)	-	-	-	-
Profit before Tax	Rs.	4,697	6,311	(896)	(2,798)	(25)	1,114
Profit after Tax	Rs.	3,232	4,590	(240)	(1,825)	(45)	2,460
EBITDA	Rs.	8,943	10,665	2,929	(745)	2,041	3,555
Balance Sheet							
Paid up Capital	Rs.	4,500	4,500	4,500	4,500	4,500	4,500
Shareholder's Equity including revaluation reserve	Rs.	10,224	17,856	15,396	13,584	16,273	19,411
Long term borrowings	Rs.	13,372	8,484	4,559	1,466	1,891	4,203
Capital employed	Rs.	33,989	43,754	37,077	31,518	32,303	36,264
Deferred liabilities	Rs.	5,631	11,058	11,038	10,059	10,303	8,105
Property, plant & equipment	Rs.	21,916	37,937	37,290	37,114	39,909	39,194
Long term assets	Rs.	33,178	46,336	41,188	40,945	43,735	43,027
Net current assets / Working capital	Rs.	811	(2,456)	(4,111)	(10,188)	(9,620)	(6,762)
Total Assets	Rs.	50,637	65,341	54,636	48,148	52,727	65,680
Cash Flows:							
Operating activities	Rs.	4,109	4,023	(1,179)	(682)	2,797	(10,603)
Investing activities	Rs.	(2,989)	(710)	5,870	2,790	345	50
Financing activities	Rs.	(316)	(2,643)	(5,665)	(1,864)	(1,789)	(857)
Changes in cash & cash equivalents	Rs.	804	669	(973)	244	1,352	(11,410)
Cash & cash equivalents - Year end	Rs.	(4,517)	(3,847)	(4,820)	(4,576)	(3,224)	(14,634)
Key Indicators:							
Operating:							
Gross Profit Margin	%	50.40	56.96	23.54	3.84	13.92	20.84
Pre tax margin	%	25.74	37.79	(11.01)	(37.67)	(0.17)	5.08
Net profit margin	%	17.71	27.48	(2.95)	(24.57)	(0.31)	11.22
EBITDA %age to sale	%	49.01	63.86	36.00	(10.04)	14.33	16.12
Earning per share (Rs.) Basic	Rs.	7.18	10.20	(0.53)	(4.06)	(0.10)	5.47
Performance:							
Book Value per share(Excluding revaluation surplus)	Rs.	27.22	23.14	17.63	13.78	13.96	19.75
Book Value per share(Including revaluation surplus)	Rs.	32.72	49.68	44.21	40.19	46.16	53.14
Return on assets	%	6.38	7.02	(0.44)	(3.79)	(0.08)	3.74
Total Assets Turnover	Times	0.36	0.26	0.15	0.15	0.27	0.33
Fixed Assets Turnover	Times	0.82	0.44	0.22	0.20	0.36	0.56
Debtors turnover	Times	11.13	12.19	11.14	20.52	83.57	15.59
Debtors turnover	Days	33	29.95	33	18	4	23
Inventory turnover	Times	1.82	1.45	1.32	1.40	3.07	2.39
Inventory turnover	Days	200	251	276	261	119	153
Return on Share Capital	%	71.82	102.00	(5.33)	(40.56)	(0.99)	54.66
Return on Equity(excluding revaluation surplus)	%	26.39	44.08	(3.03)	(29.44)	(0.71)	27.67
Leverage:							
Debt : Equity		59:41	59:41	54:46	43:57	36:64	49:51
Interest cover		1.31	1.82	(0.66)	(0.77)	(0.02)	0.66
Liquidity:							
Current Ratio		1.05	0.89	0.77	0.41	0.48	0.77
Quick ratio		0.73	0.67	0.49	0.20	0.30	0.42
Valuation							
Earnings per share(before tax)	Rs.	10.44	14.02	(1.99)	(6.22)	(0.05)	2.48
Earnings per share(after tax)	Rs.	7.18	10.20	(0.53)	(4.06)	(0.10)	5.47
Earnings Growth	%	(31.79)	42.02	(105.23)	660.45	97.55	5,608
Cash dividend	%	–	–	–	–	–	–
Bonus dividend	%	–	–	–	–	–	–
Specie dividend	%	130	148	49	–	–	–

Horizontal Analysis

Balance Sheet

	Rupees (Million)						% Change					
	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012	2014 vs 2013	2015 vs 2014
Issued, subscribed and paid up capital	4,500	4,500	4,500	4,500	4,500	4,500	–	–	–	–	–	–
Reserves	7,548	5,714	3,432	1,700	1,782	4,389	(25.61)	(24.30)	(39.94)	(50.47)	4.85	146.23
Share deposit money	200	200	–	–	–	–	–	–	(100.00)	–	–	–
Revaluation reserve	2,476	11,942	11,964	11,884	14,491	15,023	–	382.31	0.18	(0.67)	21.93	3.67
	14,724	22,356	19,896	18,084	20,773	23,911	(15.00)	51.83	(11.00)	(9.11)	14.87	15.11
Non-Current Liabilities												
Long term finances	13,372	8,484	4,559	1,466	1,891	4,203	(17.41)	(36.55)	(46.26)	(67.84)	28.97	122.29
Supplier's credit - secured	–	–	1,796	1,488	1,100	1,100	–	100.00	(17.15)	(26.08)	–	(100.00
Liabilities against assets subject to finance lease	218	138	50	–	–	–	103.74	(36.70)	(63.77)	(100.00)	–	–
Payable against mining rights	–	–	–	–	–		(100.00)	–	–	–	–	–
Long term deposits	44	48	46	47	48	45	(93.99)	9.09	(4.17)	2.49	1.96	(6.68)
Deferred liabilities	57	91	115	126	116	133	24.57	59.65	26.37	9.98	(8.45)	14.85
Deferred taxation	5,574	10,967	10,923	9,933	10,187	7,972	12.04	96.75	(0.40)	(9.07)	2.56	(21.74)
	19,265	21,524	17,181	12,672	13,342	12,353	(12.84)	11.73	(20.18)	(26.24)	5.28	(7.41
Current Liabilities												
Current portion of long term liabilities	4,009	6,335	4,878	3,132	901	1,072	199.40	58.02	(23.00)	(35.79)	(71.23)	18.96
Finances under mark up arrangements - secured	4,702	4,644	5,814	4,736	4,637	15,152	(15.37)	(1.23)	25.19	(18.54)	(2.08)	226.72
Payable to Privatization Commission of Pakistan	2,198	2,198	2,198	2,198	2,198	2,198	–	–	–	(0.00)	–	–
Short term loan from related party - secured	–	–	–	3,000	3,000	2,200	–	–	–	–	–	(26.67)
Trade and other payables	4,458	3,121	3,225	3,989	7,555	8,345	78.96	(29.99)	3.33	23.68	89.42	10.46
Accrued finance cost	650	677	366	337	320	449	(34.28)	4.15	(45.94)	(8.04)	(5.07)	40.65
Dividend payable	–	3,755	1,078	–	–	–	–	–	–	(100.00)	–	–
Provision for taxation	631	731	–	–	–	–	396.85	15.85	(100.00)	–	–	–
	16,648	21,461	17,559	17,391	18,611	29,416	31.09	28.91	(18.18)	(0.95)	7.01	58.06
	50,637	65,341	54,636	48,148	52,727	65,680	(2.86)	29.04	(16.38)	(11.88)	9.51	24.57

	Rupees (Million)						% Change					
	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012	2014 vs 2013	2015 vs 2014
Non-Current Assets												
Property, plant and equipment	21,916	37,937	37,290	37,114	39,909	39,194	2.96	73.10	(1.71)	(0.47)	7.53	(1.79)
Assets subject to finance lease	283	230	121	51	–	–	91.22	(18.73)	(47.39)	(58.16)	(100.00)	–
Intangibles	183	161	149	144	125	94	(11.17)	(12.02)	(7.45)	(3.08)	(13.16)	(24.81)
Goodwill	3,305	3,305	3,305	3,305	3,305	3,305	–	–	–	0.00	–	–
Investments - related party	2,930	130	262	295	361	405	(62.83)	(95.56)	101.54	12.42	22.56	12.09
Loan to subsidiary	4,516	4,516	–	–	–	–	105.65	–	(100.00)	–	–	–
Security deposits	45	57	61	36.22	35	28.55	164.71	26.67	7.02	(40.63)	(4.65)	(17.32)
	33,178	46,336	41,188	40,945	43,735	43,027	(5.31)	39.66	(11.11)	(0.59)	6.81	(1.62)
Current Assets												
Stores and spare parts	2,310	2,583	3,023	2,904	2,631	2,561	22.87	11.82	17.03	(3.92)	(9.41)	(2.66)
Stock-in-trade	2,947	2,058	1,734	812	829	7,661	5.51	(30.17)	(15.74)	(53.19)	2.18	823.72
Trade debts	1,851	890	571	153	188	2,624	29.71	(51.92)	(35.84)	(73.18)	22.62	1,297.23
other receivables	3,583	5,300	6,042	3,174	3,930	9,290	(47.42)	47.92	14.00	(47.47)	23.82	136.40
Derivative	69	19	–	–	–	–	762.50	(72.46)	(100.00)	–	–	–
Investments	6,513	7,359	1,084	–	–	–	65.73	12.99	(85.27)	(100.00)	–	–
Cash and bank balances	186	796	994	160	1,413	517	(20.85)	327.96	24.87	(83.92)	784.32	(63.39)
	17,459	19,005	13,448	7,203	8,992	22,654	2.18	8.86	(29.24)	(46.44)	24.83	151.94
	50,637	65,341	54,636	48,148	52,727	65,680	(2.86)	29.04	(16.38)	(11.88)	9.51	24.57

Vertical Analysis

Balance Sheet

	Rupees (Million)						% Change					
	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012	2014 vs 2013	2015 vs 2014
Issued, subscribed and paid up capital	4,500	4,500	4,500	4,500	4,500	4,500	8.89	6.89	8.24	9.35	8.53	6.85
Reserves	7,548	5,714	3,432	1,700	1,782	4,389	14.91	8.74	6.28	3.53	3.38	6.68
Share deposit money	200	200	–	–	–	–	0.39	0.31	–	–	–	–
Revaluation reserve	2,476	11,942	11,964	11,884	14,491	15,023	4.89	18.28	21.90	24.68	27.48	22.87
	14,724	22,356	19,896	18,084	20,773	23,911	29.08	34.21	36.42	37.56	39.40	36.41
Non-Current Liabilities												
Long term finances	13,372	8,484	4,559	1,466	1,891	4,203	26.41	12.98	8.34	3.04	3.59	6.40
Supplier's credit - secured	–	1,796	1,488	1,100	1,100	–	–	2.75	2.72	2.28	2.09	–
Liabilities against assets subject to finance lease	218	138	50	–	–	–	0.43	0.21	0.09	–	–	–
Payable against mining rights	–	–	–	–	–	–	–	–	–	–	–	–
Long term deposits	44	48	46	47	48	45	0.09	0.07	0.08	0.10	0.09	0.07
Deferred liabilities	57	91	115	126	116	133	0.11	0.14	0.21	0.26	0.22	0.20
Deferred taxation	5,574	10,967	10,923	9,933	10,187	7,972	11.01	16.78	19.99	20.63	19.32	12.14
	19,265	21,524	17,181	12,672	13,342	12,353	38.05	32.94	31.45	26.32	25.30	18.81
Current Liabilities												
Current portion of long term liabilities	4,009	6,335	4,878	3,132	901	1,072	7.92	9.70	8.93	6.51	1.71	1.63
Finances under mark up arrangements - secured	4,702	4,644	5,814	4,736	4,637	15,152	9.29	7.11	10.64	9.84	8.80	23.07
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–
Payable to Privatization Commission of Pakistan	2,198	2,198	2,198	2,198	2,198	2,198	4.34	3.36	4.02	4.56	4.17	3.35
Short term loan from related party - secured	–	–	–	3,000	3,000	2,200	–	–	–	6.23	5.69	3.35
Trade and other payables	4,458	3,121	3,225	3,989	7,555	8,345	8.80	4.78	5.90	8.28	14.33	12.71
Accrued finance cost	650	677	366	337	320	449	1.28	1.04	0.67	0.70	0.61	0.68
Dividend payable	–	3,755	1,078	–	–	–	–	5.75	1.97	–	–	–
Provision for taxation	631	731	–	–	–	–	1.25	1.12	–	–	–	–
	16,648	21,461	17,559	17,391	18,611	29,416	32.88	32.84	32.14	36.12	35.30	44.79
	50,637	65,341	54,636	48,148	52,727	65,680	100.00	100.00	100.00	100.00	100.00	100.00

	Rupees (Million)						% Change					
	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012	2014 vs 2013	2015 vs 2014
Non-Current Assets												
Property, plant and equipment	21,916	37,937	37,290	37,114	39,909	39,194	43.28	58.06	68.25	77.08	75.69	59.67
Assets subject to finance lease	283	230	121	51	–	–	0.56	0.35	0.22	0.11	–	–
Intangibles	183	161	149	144	125	94	0.36	0.25	0.27	0.30	0.24	0.14
Goodwill	3,305	3,305	3,305	3,305	3,305	3,305	6.53	5.06	6.05	6.86	6.27	5.03
Investments - related party	2,930	130	262	295	361	405	5.79	0.20	0.48	0.61	0.68	0.62
Loan to subsidiary	4,516	4,516	–	–	–	–	8.92	6.91	–	–	–	–
Security deposits	45	57	61	36	35	29	0.09	0.09	0.11	0.08	0.07	0.04
	33,178	46,336	41,188	40,945	43,735	43,027	65.52	70.91	75.39	85.04	82.95	65.51
Current Assets												
Stores and spare parts	2,310	2,583	3,023	2,904	2,631	2,561	4.56	3.95	5.53	6.03	4.99	3.90
Stock-in-trade	2,947	2,058	1,734	812	829	7,661	5.82	3.15	3.17	1.69	1.57	11.66
Trade debts	1,851	890	571	153	188	2,624	3.66	1.36	1.05	0.32	0.36	4.00
Other receivables	3,583	5,300	6,042	3,174	3,930	9,290	7.08	8.11	11.06	6.59	7.45	14.14
Derivative financial instruments	69	19	–	–	–	–	0.14	0.03	–	–	–	–
Investments	6,513	7,359	1,084	–	–	–	12.86	11.26	1.98	–	–	–
Cash and bank balances	186	796	994	160	1,413	517	0.37	1.22	1.82	0.33	2.68	0.79
	17,459	19,005	13,448	7,203	8,992	22,654	34.48	29.09	24.61	14.96	17.05	34.49
	50,637	65,341	54,636	48,148	52,727	65,680	100.00	100.00	100.00	100.00	100.00	100.00

Horizontal Analysis

Profit & Loss

	Rupees (Million)						% Change					
	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012	2014 vs 2013	2015 vs 2014
Sales	18,248	16,701	8,136	7,428	14,248	21,920	9.23	(8.48)	(51.28)	(8.70)	91.81	53.85
Cost of Sales	(9,051)	(7,188)	(6,221)	(7,143)	(12,264)	(17,353)	(7.61)	(20.58)	(13.45)	14.82	71.70	41.49
Gross Profit	9,197	9,513	1,915	286	1,984	4,568	33.10	3.44	(79.87)	(85.09)	594.68	130.24
Administrative Expenses	(780)	(969)	(1,165)	(888)	(731)	(879)	27.87	24.23	20.23	(23.82)	(17.67)	20.35
Selling & Distribution Expenses	(994)	(829)	(299)	(495)	(686)	(897)	10.69	(16.60)	(63.93)	65.69	38.52	30.65
Finance Cost	(3,589)	(3,472)	(2,610)	(1,579)	(1,626)	(1,677)	13.61	(3.26)	(24.83)	(39.49)	2.94	3.15
Other Operating Expenses	(387)	(510)	(218)	(382)	(1)	(333)	58.61	31.78	(57.25)	75.08	(99.63)	23,190
Other Operating Income	1,409	1,855	1,528	261	1,036	333	311.99	31.65	(17.63)	(82.95)	297.47	(67.88)
Operating Profit	4,856	5,588	(849)	(2,798)	(25)	1,114	107.43	15.07	(115.19)	229.55	(99.12)	(4,627.66)
Share of profit /(loss) of associated co.	(39)	(18)	–	–	–	–	54.72	(53.85)	(100.00)	–	–	–
Re-measurement gain / (loss)	(121)	741	(47)	–	–	–	(104.22)	(712.40)	(106.34)	(100.00)	–	–
Profit before Taxation	4,696	6,311	(896)	(2,798)	(25)	1,114	(9.38)	34.39	(114.20)	212.26	(99.12)	(4,627.66)
Taxation	(1,464)	(1,721)	656	973	(20)	1,345	229.73	17.55	(138.12)	48.29	(102.06)	(6,810.44)
Profit after Taxation	3,232	4,590	(240)	(1,825)	(45)	2,460	(31.79)	42.02	(105.23)	660.45	(97.55)	(5,607.61)

Vertical Analysis

Profit & Loss

	Rupees (Million)						% Change					
	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	2010 vs 2009	2011 vs 2010	2012 vs 2011	2013 vs 2012	2014 vs 2013	2015 vs 2014
Sales	18,248	16,701	8,136	7,428	14,248	21,920	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Sales	(9,051)	(7,188)	(6,221)	(7,143)	(12,264)	(17,353)	(49.60)	(43.04)	(76.46)	(96.16)	(86.08)	(79.16)
Gross Profit	9,197	9,513	1,915	286	1,984	4,568	50.40	56.96	23.54	3.84	13.92	20.84
Administrative Expenses	(780)	(969)	(1,165)	(888)	(731)	(879)	(4.27)	(5.80)	(14.32)	(11.95)	(5.13)	(4.01)
Selling & Distribution Expenses	(994)	(829)	(299)	(495)	(686)	(897)	(5.45)	(4.96)	(3.68)	(6.67)	(4.82)	(4.09)
Finance Cost	(3,589)	(3,472)	(2,610)	(1,579)	(1,626)	(1,677)	(19.67)	(20.79)	(32.08)	(21.26)	(11.41)	(7.65)
Other Operating Expenses	(387)	(510)	(218)	(382)	(1)	(333)	(2.12)	(3.05)	(2.68)	(5.14)	(0.01)	(1.52)
Other Operating Income	1,409	1,855	1,528	261	1,036	333	7.72	11.11	18.78	3.51	7.27	1.52
Operating Profit	4,856	5,588	(849)	(2,798)	(25)	1,114	26.61	33.46	(10.44)	(37.67)	(0.17)	5.08
Share of profit / (loss) of associated co.	(39)	(18)	–	–	–	–	(0.21)	(0.11)	–	–	–	–
Re-measurement gain / (loss)	(121)	741	(47)	–	–	–	(0.66)	4.44	(0.58)	–	–	–
Profit before Taxation	4,696	6,311	(896)	(2,798)	(25)	1,114	25.73	37.79	(11.01)	(37.67)	(0.17)	5.08
Taxation	(1,464)	(1,721)	656	973	(20)	1,345	(8.02)	(10.30)	8.06	13.10	(0.14)	6.14
Profit after Taxation	3,232	4,590	(240)	(1,825)	(45)	2,460	17.71	27.48	(2.95)	(24.57)	(0.31)	11.22

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, 2015 together with auditors' report thereon and a brief overview of financial and operational performance of the Company.

Company performance

Year 2015 was a better year compared to 2014 for the Company due to Regasified Liquefied Natural Gas (RLNG) supplies in the country. The first LNG cargo imported in the country was purchased by PFL. RLNG supply to PFL's plant was started on April 1, 2015 and continued to the end of the year resulting in operations of 267 days in 2015 as compared to 42 days in 2014. The Production of CAN and NP as a percentage of annual designed capacity was 74% and 101% respectively.

Management continued its strategy of diversifying the Company's revenue stream. 93,285 MT of imported DAP was sold during the year-2015 which also contributed significantly to improving the financial position of the Company.

A summary of financial results for the year 2015 compared with year 2014 is as under:

Rupees in million

	Year 2015	Year 2014
Sales	21,920	14,248
Gross Profit	4,568	1,984
Other Operating Income	333	1,036
Profit from Operations	3,124	1,601
Finance Cost	(1,677)	(1,626)
Profit/(Loss) after tax	2,460	(45)

A summary of consolidated financial results for the year 2015 compared with year 2014 is as under :

Rupees in million

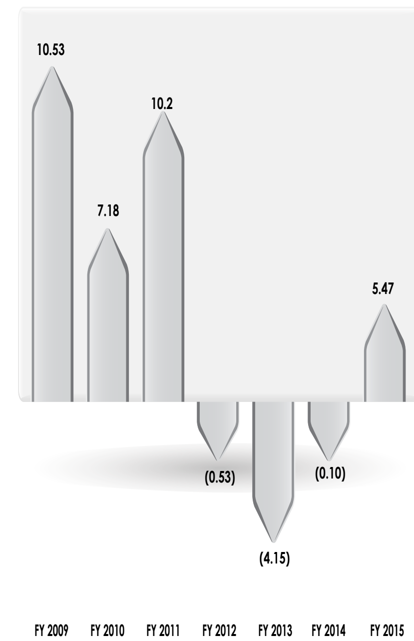
	Year 2015	Year 2014
Sales	23,022	15,656
Gross Profit	4,789	2,236
Finance Cost	(1,713)	(1,684)
Other Income	333	1,040
Profit after tax	2,604	77

Appropriations during the year were as follows:

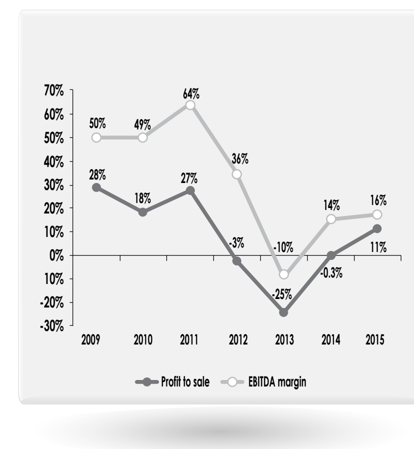
Rupees in million

	Fair Value Reserve	General Reserve	Un-Appropriated Profit / (accumulated loss)
Balance as at December 31, 2014	66	2,098	(382)
Other comprehensive income for the year 2015	34	–	113
Profit for the year 2015	–	–	2,460
	100	2,098	2,191

Earning Per Share
(Rupees in million)



Net Profit & EBITDA Margin



Performance of wholly owned subsidiary company-Reliance Sacks Limited (RSL)

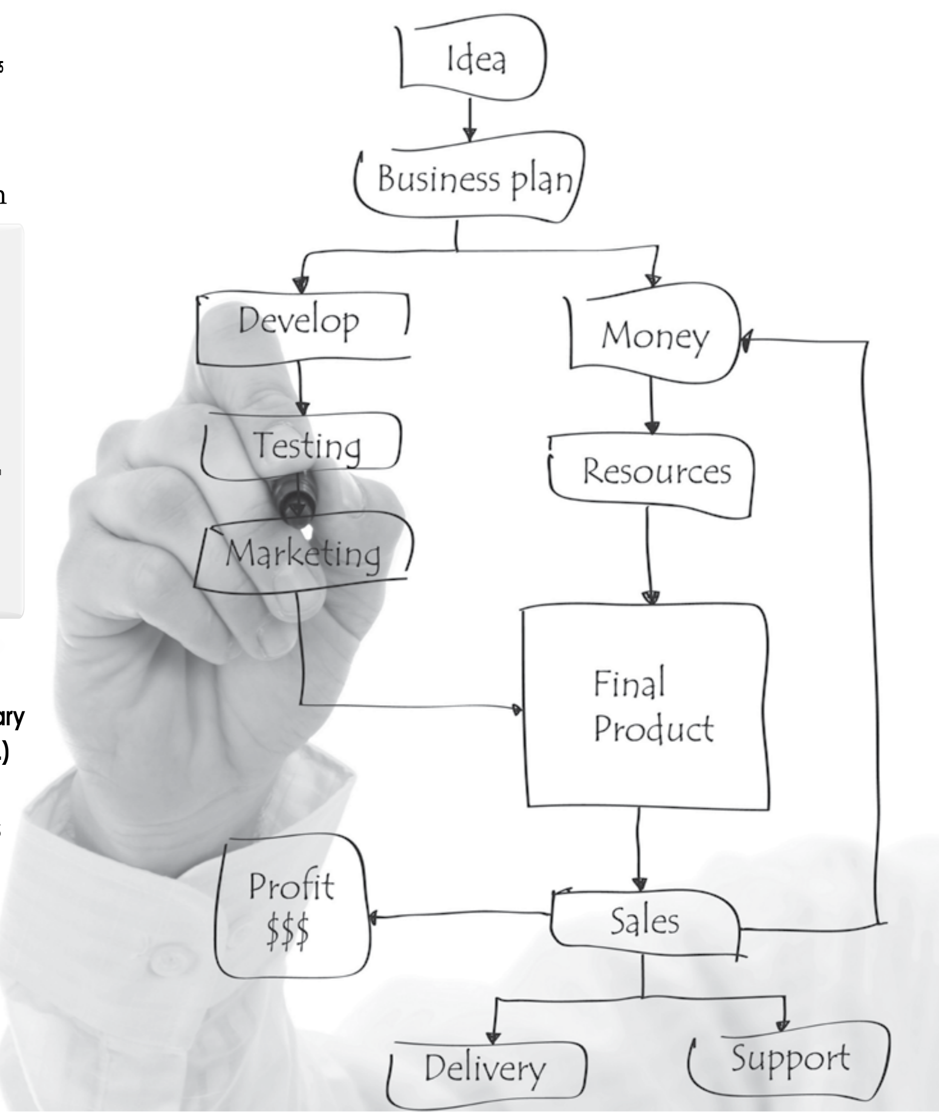
Reliance Sacks Limited is a wholly owned subsidiary of Pakarab Fertilizers Limited (PFL). It is principally engaged in the manufacturing and sale of polypropylene sacks, polypropylene cloth and liners.

This was another year when prices of commodities remained volatile especially those linked with oil products. The prices of the polypropylene granules showed decreasing trend and remained in the range of 1,450 US$/MT to 960 US$/MT. This decreasing trend was due to low oil prices in international market. Average annual requirement of Polypropylene Woven (PPW) bags of corporate/organized sector is 773 million whereas annual production capacity of PPW suppliers is 1,885 million. However, RSL mainly focused on fertilizer sector and selected sugar, textile and other companies.

Financial results of Reliance Sacks Limited for the year ended December 31, 2015 have been summarized below:

Rupees in million

Description	Year ended December 31, 2015	Year ended December 31, 2014
Sales excluding GST	1,492	1,584
Cost of sales	(1,271)	(1,330)
Gross profit	221	253
Admin and selling expenses	(27)	(25)
Financial Charges	(36)	(58)
Other Expenses	(15)	(12)
Other income	-	5
Profit before taxation	143	163
Taxation	2	(41)
Profit after taxation	145	122



Directors' Report To The Members

The sales in terms of Rupees remained low due to decrease in the Polypropylene Granules (PPG) prices, however in terms of kgs it increased from 5.084 million Kgs to 5.268 million Kgs. Decrease in gross profit is mainly attributed to higher electricity cost which increased by Rs. 25 million. Financial charges decreased due to payment of long term finance and reduction in discount rate. Taxation charge adjusted with reversal of deferred tax provision and clubbing of assessment with holding company as a single fiscal unit.

Manufacturing Overview

Plant Operation with RLNG

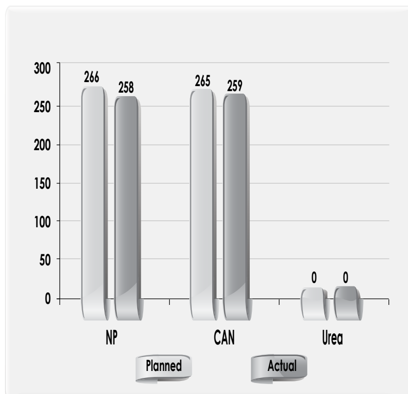
After sustaining a period of more than three years of low capacity utilization and productivity, Pakarab fertilizers became the first fertilizer company in Pakistan to be able to start operations on Re-gasified Liquid Natural Gas (RLNG). Pakarab takes pride in working with the GOP in import of the first RLNG ship in March 2015 and resuming its manufacturing operations with effect from 1st April, 2015. In 2015 PFL consumed three LNG ships. The RLNG, due to economic reasons, was used in production of NP and CAN fertilizers alone.

The plant operations were maintained smoothly with restrained costs and manning in view of the high cost of RLNG as compared to domestic gas.

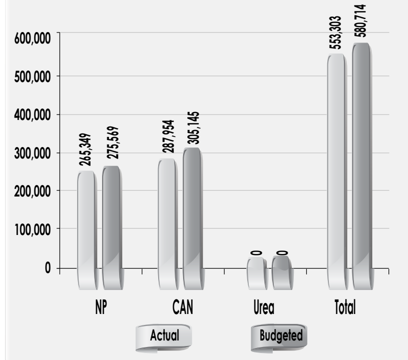
Nitrate Fertilizers production remained under pressure due to damaged Nitric Acid line C rotor which, being very old and un-availability of spares, had long term failure. It is under maintenance and will be available to us again at end of March for further operations.

Plant site witnessed large operations of product handling due to low CAN fertilizer sales/shipments. To cope with this situation, export of CAN fertilizer is being explored. To enable exports, projects for alignment of CAN product quality have been taken up. CAN Granulation project is also under consideration for this purpose.

No of Operating Days-2015



Production Statistics (MeT)-2015



Energy Conservation Projects at Pakarab

Since raw material price is very high as compared to domestic gas, there is a dire need to take up conservation steps to minimize operational costs. Several short term energy and water conservation projects were initiated and completed.

Completed projects

- Use of steam coils in CN melt tank at NP plant instead of live steam to conserve steam.
- Recovery of condensate/heat from air heater 40-2110 at NP Plant-Steam conservation
- Partial conversion of vacuum pumps installed at NP plant from DMW to RW-Water conservation
- Fuel optimization at Furnace of Ammonia plant-Gas optimization
- Ammonia Process condensate recovery project-Steam conservation
- PGRU exchanger E-102 tube bundle replacement-Ammonia product loss reduction

By implementation of above projects, there will be a net saving of PKR 75 million per annum within 2016 alone. Furthermore, following longer/medium term CAPEX projects are being taken up for 2016:

a. Feed gas pre heat coil in Ammonia Primary reformer convection section

b. LTS trim cooler installation/upgrade existing 104-C with improved size and metallurgy.

Raw water quality at site

Over the past few years, a regular depletion in sub soil water quality was experienced. To cope with this issue, new raw water well was installed at an appropriate location. The investment has already paid back in a reasonable time as the conductivity in raw water tank dropped from 950uS/cm to 610 uS/cm on average basis which will reduce operating cost of PKR 27.34 million per annum.

Manufacturing Overview-Reliance Sacks Limited

Reliance Sacks Limited produced 5.332 million Kgs (2014: 5.194 million Kgs) in tape line section and achieved 92.10% (2014: 89.71%) of the standard capacity. The company produced 53.28 million bags (2014: 55.27 million bags) during the year which is in line with expectations and it varies according to size and weight of bags. Further, the company produced 1.788 million kgs of liners (2014: 1.483 million kgs) during the year which is 87.07% of the capacity (2014: 90.26% of capacity). During the year, another liner machine was added with capacity of 1,000 kgs per day.

Employee Engagement Activities

The annual Town Hall meeting was held at Pakarab Fertilizers Limited and all the Management Employees at PFL were invited. The main objective of the Town Hall meeting was to enable the senior leadership to keep young engineers informed, engaged and in sync with business challenges and goals.

Social/CSR Activities

The Company and employees donated funds to help the flood victims. This donation was handed over to Pakistan Army for final dispersal. After the floods in and around Multan, a free medical camp was set up at Shuja Abad, Head Mohammad Walla and Mahni Siyal areas near Multan. About 550 patients were treated in these camps.

Hunar Foundation School

As part of its effort to help community, PFL engaged with Hunar Foundation, Karachi to build a technical school for local population within PFL premises. Necessary approvals have been obtained for this school and it is going to be functional from July 2016. The school charter and syllabus will be certified by City & Guild UK / TEVTA.

Blood Donation Camp

A blood donation camp was arranged with the support of Fatimid foundation and PFL medical Centre. More than 70 Employees donated blood for the children suffering from thalassemia in this camp.

Free Medical Camps

Two free medical camps (Dental & Eyes Checkup) were arranged for employees and their families during safety week. Employees and their families' participation in these free camps was very encouraging. Approximately 70 patients were checked by Dental surgeon and 67 patients were checked by an eye specialist. Beside these free medical camps, medical center also arranged many awareness campaigns related to health of employees.

Directors' Report To The Members

Health Safety and Environment

Achievements – 2015.

Completion of 15.0 million Safe Man Hours.

PFL has completed 15.0 million combined safe man hours in December 2015. This is the highest landmark ever achieved in PFL history. PFL distributed safety awards for completion of 14.0 million combined safe hours for all regular and contractor employees.

Safety Week Celebration

PFL organized 1st ever safety week of its history in October 2015. The objective of the safety week was to ensure employees' engagement and ownership in Company Health, safety and environment program. Safety awareness of employees was raised through different interacting sessions like PPEs awareness, housekeeping drive, SCBA donning, Safety Commitment Board, MSDS, PSM quiz, Safety Gala etc. Response of the safety week was very encouraging as there were no injuries after that in 2015. Representatives from Corporate HSE and sister companies of Fatima group also participated in safety week and appraised the event.

IFA Protect and sustainable product Stewardship Award

PFL has received protect and sustainable product stewardship award by IFA by scoring 74% marks. It's a matter of great honor that PFL is the 1st ever company under Fatima group to achieve IFA certification in ASIA. IFA audit was conducted by M/S SGS. PFL arranged 1st, 2nd party audits before final audit.

Green Office Certification

PFL has successfully achieved green office certification by scoring 75% score in opening audit. This is the highest score achieved by any company in opening audit in Pakistan. PFL selected three KPIs (Paper, Electricity and Mixed waste reduction) and reduction target of 5% was set for 2015. Successful audit was conducted by WWF Pakistan in December 2015.

British Safety Council Award

PFL received the British safety council award in 2015 again. This is the 5th consecutive British safety council award won by PFL which depicts dedication, devotion and commitment of PFL top management and staff for nourishing health, safety and environment culture. PFL achieved 56 marks out of 60.

GO Live - SMIS Modules

Five modules of Safety management information system (SMIS) including Management safety audit, weekly fire drill, quarterly emergency drill, SOC MOMs and Incident investigation and recommendation module were launched at site. Training sessions were arranged for all employees before launch.

IFA Hard Hat campaign

PFL participated in hardhat campaign organized by international fertilizer association (IFA) in April 2015. Awareness drive was initiated at site. Hard hat snap was also pasted on IFA site.

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, six meetings of the Board of Directors and four meetings of the Audit Committee were held from January 01, 2015 to December 31, 2015. 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	6	N/A
Mr. Fazal Ahmed Sheikh	5	3
Mr. Faisal Ahmed Mukhtar	1	N/A
Mr. Rehman Naseem	5	3
Mr. Abdus Samad	3	N/A
Mr. Muhammad Kashif Habib	4	4
Mr. Nasim Beg	3	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, 2015 have been Annexed herewith.

Trading in Shares 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 Annexed herewith.

Post Balance Sheet Events

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

Contribution to National Exchequer and Economy

The Company's contribution to the National Exchequer by way of taxes, levies, excise duty and sales tax amounts to Rs. 3,144 million as against Rs. 3,150 million last year.

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. 400.696 Millions. According to actuarial valuation, fair value of the assets of the funded defined benefit gratuity plan for both management and non-management staff is Rs. 136.175 Million as on 31st December 2015.

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.

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 43rd Annual General Meeting, as auditors of the Company for the year ending December 31, 2016 at a fee to be mutually agreed.

Future Outlook

Given the Government's commitment to import LNG, PFL expects to be able to continue its operations on RLNG for the foreseeable future. LNG prices are expected to reduce in 2016 which will translate directly to bottom line of the Company. Improved performance can be expected given the decline in prices in the international market for LNG.

Acknowledgements

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

For and on behalf of Board

Lahore
April 08, 2016

Arif Habib
Chairman

Attachment to The Directors' Report

to all members of the Company

Dear Sir/Madam,

ABSTRACT OF THE TERMS OF APPOINTMENT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of section 218 of the Companies Ordinance, 1984, this is to inform you that the Board of Directors of the Company on December 31, 2015 has reappointed Mr. Fawad Ahmed Mukhtar as Chief Executive Officer of the Company for the next three years commencing from January 01, 2016 to December 31, 2018 without any remuneration. The Chief Executive Officer shall be entitled to all the rights and privileges and subject to all the liabilities of the office of the Chief Executive. The Chief Executive shall carry on the day to day business and affairs of the Company in consultation with the Board of Directors in accordance with the provisions of the Memorandum and Articles of Association of the Company.

MEMORANDUM UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

Mr. Fawad Ahmed Mukhtar is concerned/interested in his appointment to the extent mentioned above and upto the extent of his shareholding/directorship in Pakarab Fertilizers Limited. No other directors are concerned/interested in this respect.

Statement of Compliance

with the code of corporate Governance for the year ended December 31, 2015

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. Currently there is no independent director on the Board as the Company is voluntarily complying with the CCG. The Company has also conducted annual evaluation of the Board's own performance. 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. 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 except in the case of an emergency meeting held on June 24, 2015 in which case the notice period is reduced. 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. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employement. There is no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
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.

Place: Lahore
Date: April 08, 2016

Fawad Ahmed Mukhtar
Chief Executive Officer

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FINANCIAL STATEMENTS OF

pakarab FERTILIZERS LIMITED

for the year ended December 31, 2015

Review Report To The Members

On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakarab Fertilizers Limited (the 'company') to voluntarily comply with the Listing Regulation No.35 of the Karachi Stock Exchange Limited, where the company was previously listed.

The responsibility for compliance with the Code of Corporate Governance (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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal 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 Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2015.

Further, we highlight the instance of non-compliance with the requirement of the Code as reflected in the paragraph 1 of the statement of compliance which states that:

1. The company does not have an independent director on the Board as it is voluntarily complying with the Code; and
2. The company is in the process of annual evaluation of the Board's own performance as the same has not been conducted during the year.

A.F. Ferguson & Co.
Chartered Accountants

Lahore, April 08, 2016

Engagement Partner: Muhammad Masood

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakarab Fertilizers Limited (Company) as at December 31, 2015, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary of 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 the 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 statement 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;

   (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, cash flow statement and statement of changes in equity 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, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

A.F. Ferguson & Co.

Chartered Accountants

Lahore, April 08, 2016

Engagement Partner: Muhammad Masood

Balance Sheet

as at December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,000,000,000 (2014: 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 (2014: 450,000,000)			
ordinary shares of Rs 10 each	5	4,500,000	4,500,000
Reserves	6	4,388,510	1,782,308
		8,888,510	6,282,308
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	7	15,022,831	14,491,103
NON-CURRENT LIABILITIES			
Long term finances - secured	8	1,970,139	1,064,882
Long term loans from related parties - unsecured	9	2,232,952	825,968
Import bill payable - secured	10	–	1,100,000
Long term deposits	11	44,860	48,070
Deferred liabilities	12	132,980	115,789
Deferred taxation	13	7,972,085	10,187,240
		12,353,016	13,341,949
CURRENT LIABILITIES			
Current portion of long term loans	8	1,072,022	901,189
Short term borrowing from related party - secured	14	2,200,000	3,000,000
Short term borrowings - secured	15	15,151,614	4,637,446
Payable to Privatization Commission of Pakistan	16	2,197,901	2,197,901
Trade and other payables	17	8,345,123	7,555,283
Accrued finance cost	18	449,423	319,531
		29,416,083	18,611,350
CONTINGENCIES AND COMMITMENTS	19		
		65,680,440	52,726,710

The annexed notes 1 to 46 form an integral part of these financial statements.

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20	39,194,084	39,908,940
Assets subject to finance lease	21	–	–
Intangible assets	22	94,289	125,399
Goodwill	23	3,305,163	3,305,163
Long term investments	24	404,630	360,998
Security deposits		28,554	34,534
		43,026,720	43,735,034
CURRENT ASSETS			
Stores and spare parts	25	2,560,963	2,631,027
Stock-in-trade	26	7,660,745	829,332
Trade debts	27	2,624,200	187,814
Advances, deposits, prepayments and other receivables	28	9,290,354	3,930,048
Cash and bank balances	29	517,458	1,413,455
		22,653,720	8,991,676
		65,680,440	52,726,710

Chief Executive

Director

Profit and Loss Account

for the year ended December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Sales	30	21,920,495	14,248,110
Cost of sales	31	(17,352,799)	(12,264,244)
Gross profit		4,567,696	1,983,866
Administrative expenses	32	(879,397)	(730,690)
Selling and distribution expenses	33	(896,542)	(686,240)
		2,791,757	566,936
Finance cost	34	(1,676,988)	(1,625,843)
Other expenses	35	(333,189)	(1,431)
		781,580	(1,060,338)
Other income	36	332,683	1,035,727
Profit/(loss) before taxation		1,114,263	(24,611)
Taxation	37	1,345,449	(20,050)
Profit/(loss) for the year		2,459,712	(44,661)

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income

for the year ended December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Profit/(loss) for the year		2,459,712	(44,661)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Surplus on remeasurement of fair value of available-for-sale investment		38,943	62,040
Deferred tax charge relating to remeasurement of available-for-sale investment to fair value		(5,405)	(16,285)
		33,538	45,755
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		115,832	82,646
Remeasurement of post retirement benefit obligation		(2,880)	(1,290)
		112,952	81,356
Other comprehensive income - net of tax		146,490	127,111
Total comprehensive income for the year - net of tax		2,606,202	82,450

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes In Equity

for the year ended December 31, 2015

	Share capital	Capital reserve Fair value reserve	Revenue reserves General reserve	Revenue reserves (Accumulated loss) / un appropriated profit	Total
	(Rupees in thousand)				
Balance as on January 1, 2014	4,500,000	20,284	2,098,313	(418,739)	6,199,858
Loss for the year	–	–	–	(44,661)	(44,661)
Other comprehensive income for the year - net of tax	–	45,755	–	81,356	127,111
Total comprehensive income for the year	–	45,755	–	36,695	82,450
Balance as on December 31, 2014	4,500,000	66,039	2,098,313	(382,044)	6,282,308
Profit for the year	–	–	–	2,459,712	2,459,712
Other comprehensive income for the year - net of tax	–	33,538	–	112,952	146,490
Total comprehensive income for the year	–	33,538	–	2,572,664	2,606,202
Balance as on December 31, 2015	4,500,000	99,577	2,098,313	2,190,620	8,888,510

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

for the year ended December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in)/generated from operations	38	(8,122,881)	4,920,789
Finance cost paid		(1,546,614)	(1,510,738)
Taxes paid		(892,265)	(549,182)
Retirement benefits paid		(43,661)	(49,587)
Security deposits - net		2,770	(14,600)
Net cash (outflow)/inflow from operating activities		(10,602,651)	2,796,682
Cash flows from investing activities			
Purchase of property, plant and equipment		(38,600)	(42,476)
Purchase of intangible assets		(607)	(10,654)
Sale proceeds of property, plant and equipment disposed		26,602	373,027
Investments made		–	(227)
Profit on bank deposits received		62,299	24,857
Net cash inflow from investing activities		49,694	344,527
Cash flows from financing activities			
Repayment of redeemable capital		–	(1,625,000)
Proceeds from long term loans acquired		2,000,000	500,000
Proceeds from long term loans acquired from related parties		2,003,707	825,968
Proceeds from short term borrowing acquired from related party		500,000	–
Repayment of long term loans		(901,192)	(1,468,206)
Repayment of long term loans from related parties		(596,723)	–
Payment of import bill payable		(2,539,800)	–
Payment of finance lease liabilities		–	(21,602)
Repayment of short term borrowing from related party		(1,300,000)	–
Payment of initial transaction cost on long term loan acquired		(23,200)	–
Net cash outflow from financing activities		(857,208)	(1,788,840)
Net (decrease)/increase in cash and cash equivalents		(11,410,165)	1,352,369
Cash and cash equivalents at the beginning of the year		(3,223,991)	(4,576,360)
Cash and cash equivalents at the end of the year	39	(14,634,156)	(3,223,991)

The annexed notes 1 to 46 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, 2015

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 (now merged as Pakistan Stock Exchange Limited) during the period from March 2008 to March 2013. Thereafter 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 ('IASB') 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 ('SECP') 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 During the year, SECP has made amendments in the Fifth Schedule to the Companies Ordinance, 1984, through SRO 928(I)/2015 dated September 10, 2015. These amendments relate to the changes made in the classification of non-listed companies for the purpose of preparation of their financial statements. Under these amendments, the company falls under the definition of a 'Large Sized Company'. Further, through SRO 929(I)/2015 dated September 10, 2015, SECP has directed large sized companies as classified under the amended Fifth Schedule to the Companies Ordinance, 1984, to follow applicable financial and accounting reporting standards. As a result of these amendments, the company is required to follow IFRSs as issued by IASB and as notified by SECP for annual accounting periods beginning on or after January 01, 2015 i.e. from the start of current financial year. However, such amendments do not have any impact on the company's financial statements as the company was already following the required framework.

2.3 **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:

2.3.1 **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, 2015 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 following:

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the company's financial statments.

- IAS 27 (revised) 'Separate financial statements'. This standard replaces the current IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The company's current accounting treatment is already in line with the requirements of this standard.

2.3.2 **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 companies having accounting periods beginning on or after January 1, 2016 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 following:

- IAS 27 (Amendments), 'Separate financial statements' are applicable on accounting periods beginning on or after January 1, 2016. These provide entities the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The company shall apply these amendments from January 1, 2016 and has not yet evaluated whether it shall change its accounting policy to avail this option.

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 4.2.

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 4.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 23).

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 4.3.1. 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 24.1).

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.

4.1 **Taxation**

Income tax comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

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.

The company and its subsidiary, Reliance Sacks Limited (together 'the Group') have opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001.

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.

4.2 **Employee retirement benefits**

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

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

The company operates an approved funded defined benefit gratuity plan for all permanent employees having a service period of more than three years for executives and six months for workers and other staff. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at December 31, 2015 using the "Projected Unit Credit Method".

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The amount recognized in balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the profit and loss account.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

Discount rate	9% p.a.
Expected rate of increase in salary level per annum	8% p.a.
Duration of plan (years)	9
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)

(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**

The company provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences. Under the service rules, workers and normal staff members are entitled to 18 days leave per year. The leave policy for management employees is as follows:

Service in the company	**Annual Leaves**
Less than 5 Years	18
Less than 5 Years (Working on Shift Duties)	22
More than 5 Years	25
More than 5 Years (Working on Shift Duties)	29

The unutilized Annual Leave can be accumulated up to a maximum of 2 years of Annual Leaves. An employee will be entitled to encash the accumulated annual leaves at the time of leaving company service.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at December 31, 2015 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of the defined benefit obligation. Actuarial gains and losses are charged to the profit and loss account immediately in the period when these occur.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

Discount rate	9% p.a.
Expected rate of increase in salary level per annum	8% p.a.
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)

4.3 Property, plant and equipment

4.3.1 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. 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 4.12.

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

Increases in the carrying amounts 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 amounts of the assets (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		Annual depreciation rate
Buildings on freehold land	Straight line	3.99 to 5.13%
Buildings on leasehold land	- do -	10%
Railway siding	- do -	26%
Aircraft	- do -	10% to 10.08%
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 4.5).

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.

4.3.2 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.

4.3.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to operating assets category as and when such items are available for use.

4.4 Intangible assets

4.4.1 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 4.5).

4.4.2 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 4.5).

4.5 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.

4.6 Leases

The company is the lessee.

4.6.1 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. 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 21. Depreciation of leased assets is charged to profit or loss.

4.6.2 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.

4.7 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.

4.8 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.

4.8.1 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.

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

Gains and losses on subsequent re-measurements of financial assets at fair value through profit or loss are included in the profit and loss account 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 account.

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.

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.

4.8.2 **Investments in equity instruments of associate**

Investments in associates where the company has significant influence are measured at cost in the company's separate financial statements.

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'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

At each balance sheet date, the company reviews the carrying amounts of the investments in associates 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 stream of cash flows and an estimate of the terminal value of these investments. Impairment losses are recognised as expense in the profit and loss account.

4.9 **Financial assets**

4.9.1 **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 security deposits, trade debts, 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.

4.9.2 **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 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 4.15.

4.10 **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.

4.11 **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.

4.12 **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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to and forming part of the Financial Statements for the year ended December 31, 2015

4.13 **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.

4.14 **Stock-in-trade**

All stocks are valued at the lower of cost and net realizable value. Cost in relation to raw and packing materials and goods purchased for resale, except for those in transit, signifies weighted average cost and that relating to mid products and own manufactured 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.

4.15 **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.

4.16 **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.

4.17 **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.

4.18 **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.

4.19 **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 not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow shall be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.20 **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**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in profit and loss account.

4.21 **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.

4.22 **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 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.

- Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met.

4.23 **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.

4.24 **Dividend**

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

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

5. Issued, subscribed and paid up share capital

2015	2014		2015	2014
(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

	2015	2014
	(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	84,145,872	71,250,558
Fazal Cloth Mills Limited	–	25,790,610
Arif Habib Corporation Limited	135,000,000	135,000,000
Amir Fine Exports (Private) Limited	12,895,296	–
	239,177,781	239,177,781

	2015	2014
	(Rupees in thousand)	
6. Reserves		
Capital:		
- Fair value reserve	99,577	66,039
Revenue:		
- General reserve	2,098,313	2,098,313
- Un-appropriated profit/(accumulated loss)	2,190,620	(382,044)
	4,288,933	1,716,269
	4,388,510	1,782,308

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 above mentioned assets except freehold land. The valuation was carried out by an independent valuer, M/s Pirsons Chemical Engineering (Private) Limited, on August 31, 2014. 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 above mentioned operating fixed assets excluding freehold land is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on the above mentioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets. The movement in revaluation surplus is as follows:

		2015	2014
		(Rupees in thousand)	
Opening balance - net of tax		14,491,103	11,884,336
Revaluation surplus during the year	- note 20.1	–	3,055,295
Deferred tax on revaluation surplus	- note 13	647,560	(365,882)
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(115,832)	(82,646)
Closing balance - net of tax	- note 7.1	15,022,831	14,491,103

7.1 Includes surplus on revaluation of freehold land amounting to Rs 5,865.66 million (2014: Rs 5,865.66 million).

		2015	2014
		(Rupees in thousand)	
8. Long term finances - secured			
Redeemable capital	- note 8.1	–	–
Long term loans	- note 8.2	3,042,161	1,966,071
		3,042,161	1,966,071
Current portion shown under current liabilities	- notes 8.1 & 8.2	(1,072,022)	(901,189)
		1,970,139	1,064,882

8.1 Redeemable capital

This represents Privately Placed Term Finance Certificates ('PPTFCs') that were redeemed last year.

	2015	2014
	(Rupees in thousand)	
Opening balance	–	1,625,000
Redeemed during the year	–	(1,625,000)
Current portion shown under current liabilities	–	–
	–	–

		2015	2014
		(Rupees in thousand)	
8.2 Long term loans			
These have been obtained from the following financial institutions			
Standard Chartered Bank (Pakistan) Limited - Loan 1	- note 8.2.1	–	166,667
Standard Chartered Bank (Pakistan) Limited - Loan 2	- note 8.2.2	333,332	500,000
Faysal Bank Limited	- note 8.2.3	250,000	416,667
Pakistan Kuwait Investment Company (Private) Limited	- note 8.2.4	62,500	187,500
PAIR Investment Company Limited	- note 8.2.5	285,714	428,571
Soneri Bank Limited	- note 8.2.6	133,333	266,666
Allied Bank Limited	- note 8.2.7	1,977,282	–
		3,042,161	1,966,071
Current portion shown under current liabilities		(1,072,022)	(901,189)
		1,970,139	1,064,882

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

8.2.1 This has been repaid during the year. The mark up rate charged during the year on the outstanding balance ranges from 9.21% to 11.59% per annum.

8.2.2 This represents term loan facility for balance sheet restructuring. It is repayable in four semi-annual installments of Rs 83.333 million each ending on December 31, 2017. Mark up is payable monthly at the rate of three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 1.50% per annum. The mark up rate charged during the year on the outstanding balance ranges from 8.07% to 11.13% per annum. The loan is secured by first pari passu charge over the present and future current assets of the company.

8.2.3 This represents a term finance facility obtained to finance the company's capital expenditure requirements. It is repayable in three semi-annual installments of Rs 83.333 million each ending on June 14, 2017 and carries mark up at the rate of six months KIBOR plus 1.70% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 8.22% to 11.37% per annum. It is secured by a pari passu charge on all present and future fixed assets excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Bombardier Challenger aircraft, 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.

8.2.4 This represents term finance facility to finance the company's capacity expansion. It is repayable on June 29, 2016 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 8.76% to 11.09% per annum. It is secured by a first pari passu charge on all present and future fixed assets excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the assets comprising of the CDM project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories.

8.2.5 This represents term finance facility for balance sheet restructuring and company's capital expenditure requirements. It is repayable in four semi-annual installments of Rs 71.429 million each ending on August 27, 2017 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 9.32% to 12.44% per annum. It is secured by a first pari passu charge on the company's present and future fixed assets.

8.2.6 This represents term finance facility to meet the company's capital expenditure/repayment of expensive debt. It is repayable in two semi-annual installments of Rs 66.667 million each ending November 2, 2016 and carries mark up at the rate of six months KIBOR plus 1.75% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 8.22% to 11.91% 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 assets comprising of the 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.

8.2.7 This represents term finance facility to meet company's repayment of import bill payable. It is repayable in ten semi-annual installments of Rs 200 million each commencing from May 24, 2016 and carries mark up at the rate of six months KIBOR plus 2% per annum, payable semi-annualy. The mark up rate charged during the year on the outstanding balance is 8.52% per annum. It is secured by a first pari passu charge over all present and future plant and machinery of the company excluding assets comprising of Ammonia Converter Basket, the Lamont boiler for Nitric Acid, the assets comprising of the CDM project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank and an exclusive charge over the Bombardier Challenger aircraft. The reconciliation of the carrying amount of loan is as follows:

		2015	2014
		(Rupees in thousand)	
Receipt		2,000,000	–
Initial transaction cost		(23,200)	–
		1,976,800	–
Amortization of initial transaction cost	- note 34	482	–
		1,977,282	–
Current maturity		(400,000)	–
		1,577,282	–

9. Long term loans from related parties - unsecured

These have been obtained from the following related parties:

		2015	2014
Fatima Holdings Limited (associated company)		–	442,287
Reliance Commodities (Private) Limited (associated company)		877,982	34,292
Member and Chairman's spouse		371,491	313,032
Chairman's children		116,914	–
Directors		866,565	36,357
	- note 9.1	2,232,952	825,968

9.1 This is repayable in a period of two years commencing from January 1, 2017 on terms that are to be mutually agreed between the parties. Mark up is payable semi-annually at a rate of six months KIBOR plus 1.5% per annum. The mark up rate charged during the year on the outstanding balance ranges from 7.98% to 8.51% per annum.

10. Import bill payable - secured

This has been paid during the year through proceeds of loan acquired from Allied Bank Limited as referred to in note 8.2.7 to these financial statements.

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.

		2015	2014
		(Rupees in thousand)	
12. Deferred liabilities			
Accumulating compensated absences	- note 12.1	97,166	80,812
Retirement benefits - gratuity fund	- note 12.2	35,814	34,977
		132,980	115,789
12.1 Accumulating compensated absences			
Opening liability		80,812	86,320
Charge to profit and loss account	- note 12.1.2	25,038	3,925
		105,850	90,245
Payments made during the year		(8,684)	(9,433)
Liability as at year end		97,166	80,812

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to and forming part of the Financial Statements for the year ended December 31, 2015

	2015	2014
	(Rupees in thousand)	
12.1.1 Movement in liability for accumulating compensated Absences		
Opening present value of accumulating compensated absences	80,812	86,320
Current service cost	15,971	11,830
Interest cost	8,029	5,741
Benefits paid during the year	(8,684)	(9,433)
Remeasurement during the year	1,038	(13,646)
Closing present value of accumulating compensated absences	97,166	80,812
12.1.2 Charge for the year		
Current service cost	15,971	11,830
Interest cost	8,029	5,741
Remeasurement during the year	1,038	(13,646)
Expense charged to the profit and loss account	25,038	3,925

Amounts for current period and previous four annual periods of accumulating compensated absences are as follows:

	2015	2014	2013	2012	2011
As at December 31			(Rupees in thousand)		
Present value of accumulating compensated absences	97,166	80,812	86,320	84,150	66,001
Experience adjustment arising on obligation	1,038	(13,646)	–	–	–

The average number of leaves accumulated per annum is ten days for executives and five days for workers and other staff.

	2015	2014
	(Rupees in thousand)	
12.2 Gratuity fund		
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	171,990	149,293
Fair value of plan assets	(136,176)	(114,316)
Liability as at year end	35,814	34,977
Opening net liability	34,977	40,152
Charge to profit and loss account	24,630	24,449
Charge to related party	8,304	9,240
Net remeasurements for the year	2,880	1,290
Contribution by the company	(34,977)	(40,154)
Liability as at year end	35,814	34,977

	2015	2014
	(Rupees in thousand)	
The movement in the present value of defined benefit obligation is as follows:		
Opening present value of defined benefit obligation	149,293	129,962
Current service cost	31,098	31,179
Interest cost	14,620	14,762
Benefits paid to out-going members during the year	(20,104)	(23,738)
Remeasurements on obligation	(2,917)	(2,872)
Present value of defined benefit obligation as at year end	171,990	149,293
The movement in fair value of plan assets is as follows:		
Opening fair value	114,316	89,810
Expected return on plan assets	12,784	12,252
Company contributions	34,977	40,154
Benefits paid to out-going members during the year	(20,104)	(23,738)
Remeasurements on fair value of plan assets	(5,797)	(4,162)
Fair value as at year end	136,176	114,316
Plan assets are comprised as follows:		
Mixed funds	104,574	76,086
Cash	31,602	38,230
	136,176	114,316

The company is expected to contribute Rs 30.258 million to the gratuity fund in the next year.

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

	2015	2014	2013	2012	2011
			(Rupees in thousand)		
Present value of defined benefit obligation	(171,990)	(149,293)	(129,962)	(115,230)	(88,126)
Fair value of plan assets	136,176	114,316	89,810	82,105	64,824
Loss	(35,814)	(34,977)	(40,152)	(33,125)	(23,302)
Experience adjustment on obligation	-2%	-2%	5%	3%	6%
Experience adjustment on plan assets	-4.26%	-3.64%	-1.44%	-0.95%	0.89%

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%	157,335	189,091
Salary growth rate	1%	189,344	156,856

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	2015	2014
	(Rupees in thousand)	
13. Deferred taxation		
Liability/(asset) for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation	8,842,825	10,408,173
Accumulating compensated absences	(29,150)	(28,284)
Provision for doubtful receivable	(2,673)	(3,119)
Post retirement medical benefits and other allowances payable	(3,454)	(4,030)
Interest receivable	6,982	6,752
Unrealised recovery of chemical catalyst	48,820	56,957
Transaction cost on long term loans	6,815	–
Investment in subsidiary	28,910	23,505
Goodwill	991,549	1,092,676
Unused tax losses	(1,455,557)	(1,108,744)
Unused tax credits	(462,982)	(256,646)
	7,972,085	10,187,240

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.

The gross movement in net deferred tax liability during the year is as follows:

		2015	2014
		(Rupees in thousand)	
Opening balance		10,187,240	9,932,611
Deferred tax on revaluation surplus	- note 7	(647,560)	365,882
Charged to other comprehensive income		5,405	16,285
Credited to profit and loss account	- note 37	(1,573,000)	(127,538)
Closing balance		7,972,085	10,187,240

14. Short term borrowing from related party - secured

As of the balance sheet date, this represents a renewable limit, in the nature of running finance facility, of Rs 3 billion available from Fatima Fertilizer Company Limited ('FATIMA'), a related party (associated company). During the year, this facility was changed from Short Term Loan to a renewable limit, in the nature of running finance facility, after the change in terms of the loan were approved by the members of FATIMA in their Annual General Meeting held on April 30, 2015. Mark up is payable quarterly at the rate of six months KIBOR plus 2.12%. The rate of mark up charged, during the year, ranges from 8.63% to 11.75% per annum. This facility is secured against ranking charge on all present and future fixed assets of the company. As per the terms, the facility was repayable by December 31, 2015.

However, in December 2015, the company sent a communication to FATIMA, requesting it to renew the facility for a further period of one year on the same terms and conditions as already agreed between the two companies.

Based on the communication from the company, considering it a viable investment, the Board of Directors of FATIMA, in its meeting held on December 29, 2015, agreed to renew this facility for a further period of one year that will be presented for members' approval in the upcoming Annual General Meeting of FATIMA.

		2015	2014
		(Rupees in thousand)	
15. Short term borrowings - secured			
Running finances	- note 15.1	10,290,326	2,892,453
Term finances	- note 15.2	4,861,288	1,744,993
		15,151,614	4,637,446

15.1 Running finances

Short term running finance facilities available from commercial banks under mark-up arrangements amount to Rs 13,279 million (2014: Rs 4,244 million). The rates of mark up range from 7.26% to 12.40% on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade as referred to in note 26.1 and registered hypothecation charge on current and fixed assets of the company including the Lamont Boiler for Nitiric Acid, assets comprising CDM project and the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank of the company. Included in the above is a running finance of Rs 385.504 million (2014: Rs 376.199 million) [available limit: Rs 400 million (2014: Rs 400 million)] from Summit Bank Limited, a related party (associated company).

15.2 Term finances

Term finance facilities available from various commercial banks under profit arrangements amount to Rs 5,509 million (2014: Rs 1,845 million). The rates of profit range from 7.64% to 12.13% on the outstanding balance or part thereof. The aggregate term finances are secured against first pari passu charge over all current and fixed assets of the company including the Lamont Boiler, Ammonia Converter Basket, assets comprising CDM project and the complete carbon dioxide recovery plant/ liquefaction plant along with carbon dioxide static storage tank of the company.

15.3 Letters of credit and guarantees

Of the aggregate facility of Rs 4,690 million (2014: Rs 4,542 million) for opening letters of credit and Rs 18 million (2014: Rs 18 million) for guarantees, the amount utilised at December 31, 2015 was 2,030 million (2014: 1,326 million) and Rs 17 million (2014: 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 registered joint pari passu charge over current assets.

16. Payable to Privatization Commission of Pakistan

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.

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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.

			2015	2014
			(Rupees in thousand)	
17.	**Trade and other payables**			
	Trade creditors	- note 17.1	2,674,413	3,617,238
	Sui gas bill payable	- note 17.2	–	6,147
	Security deposits		32,105	16,652
	Accrued liabilities	- notes 17.3 & 17.4	2,387,327	1,581,095
	Workers' profit participation fund	- note 17.5	717,710	702,148
	Workers' welfare fund		266,787	244,046
	Customers' balances		184,712	1,246,120
	Bank guarantees discounted		1,987,767	76,100
	Due to related party		–	16,838
	Due to employees' provident fund trust		1,312	177
	Withholding tax payable		61,095	11,043
	Excise duty payable		1,724	1,724
	Sales tax payable		–	13,397
	Electricity duty payable		30,171	22,558
			8,345,123	7,555,283

17.1 Includes an amount of Rs 76.389 million (2014: Rs 24.092 million) payable to Reliance Sacks Limited ('RSL'), a related party (subsidiary).

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

17.3 Accrued liabilities include Rs 1,071 million (2014: Rs 1,061 million) on account of Gas Infrastructure Development Cess ('GIDC'). During the year, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The company has challenged the validity and promulgation of GIDC Act, 2015 before the Honorable Sindh High Court, wherein the Court passed interim orders, thereby restraining SNGPL from charging or recovering GIDC.

17.4 Includes bonus of Rs 7.5 million (2014: Rs 7.5 million) payable to the Directors of the company.

			2015	2014
			(Rupees in thousand)	
17.5	Workers' profit participation fund			
	Opening balance		702,148	727,628
	Provision for the year	- note 35	59,843	–
			761,991	727,628
	Payments made during the year		(44,281)	(25,480)
	Closing balance		717,710	702,148

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.

			2015	2014
			(Rupees in thousand)	
18.	**Accrued finance cost**			
	Accrued mark up on:			
	- long term loans - secured		38,259	26,828
	- long term loans from related parties - unsecured	- note 18.1	97,712	–
	- short term borrowing from related party - secured	- note 18.2	97,701	176,641
	- short term borrowings - secured	- note 18.3	215,751	116,062
			449,423	319,531
18.1	This amount is payable to the following related parties:			
	Reliance Commodities (Private) Limited (associated company)		39,152	–
	Member and Chairman's spouse		16,015	–
	Chairman's children		5,067	–
	Directors		37,478	–
			97,712	–

18.2 This amount is payable to FATIMA, a related party (associated company).

18.3 Includes an amount of Rs 8.314 million (2014: 11.574 million) payable to Summit Bank Limited, a related party (associated company).

19. Contingencies and commitments

19.1 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.

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

- SNGPL against gas sale amounting to Rs 10 million (2014: Rs 10 million).
- Pakistan State Oil Company Limited ('PSO') against fuel for aircraft amounting to Rs 7 million (2014: Rs 7 million).
- Meezan Bank Limited as security against finance obtained by its subsidiary, RSL.

(iii) 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, REL 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.

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(iv) 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.

(v) 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 was 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. Company had already approached the Federal Board of Revenue ('FBR') on the issue for condonation in terms of section 65 of the Sales Tax Act, 1990, which was not entertained. Company has assailed such order through institution of a writ petition before the Lahore High Court on the grounds that relevant powers have been exercised in an arbitrary manner without referring the matter to competent authority as required under the law. While such constitutional petition has not yet been disposed, since management considers that company's stance is based on meritorious grounds and hence relief would be secured from the Court, no provision on this account has been made in these financial statements.

(vi) 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 favorable 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 favor 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.

(vii) Included in trade debts is an amount of Rs 18.877 million (2014: 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 favor 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.

(viii) During the year, through a show cause notice, the department raised the issue of non-payment of output sales tax on stock of fertilizer product transferred to various warehouses of the company involving a principal sales tax demand of Rs 909.125 million (not including default surcharge which will be calculated at the time of deposit) alongwith a penalty equal to 100% of the principal sales tax demand. Such issue was raised on the grounds that the above mentioned transfers constitute 'supply' in terms of section 2(44) of the Sales Tax Act, 1990, and hence, the same have been made without payment of sales tax. The management has assailed the subject order in usual appellate course before Commissioner Inland Revenue (Appeals) ['CIR(A)'] which is pending adjudication. Furthermore, a restraint order dated November 23, 2015 was passed by the Lahore High Court staying the recovery of this demand from the company. Management considers that there are strong grounds to support the company's stance and thus no provision has been made in these financial statements for the above mentioned amount.

(ix) On July 5, 2006, Pakistan National Shipping Corporation ('PNSC') filed a recovery suit for USD 1.5 million against the company before the Civil Court, Lahore claiming that it had suffered losses as the company unilaterally terminated the Charter Party Agreement ('CPA') between the PNSC and the company. As per the terms of the CPA, PNSC was to transport 300,000 metric tons of rock phosphate for the company between February 1, 2005 to May 31, 2006 at a rate of USD 41 per metric ton from Casablanca port to Karachi port. However, PNSC claimed that the company had unilaterally terminated CPA after its privatization in 2005. The company also filed a counter suit against PNSC claiming that it had violated the terms of the CPA by diverting ships carrying company's cargo to other ports causing the company's cargo to arrive later than expected resulting in loss to the company. The Court referred the matter to the arbitrator who through its award dated April 22, 2010 decided the matter in PNSC's favour and confirmed its claim at USD 1.3 million (equivalent to Rs 80.009 million) and mark up at the rate of 14% to be calculated from the date of award till the time of deposit. The company being aggrieved has filed an application against the award of arbitrator before the Civil Court, Lahore which is pending adjudication. Based on the advice of the company's legal counsel, the management considers that company's stance is based on meritorious grounds and hence relief would be secured from the Court, no provision on this account has been made in these financial statements.

(x) During the year, the company purchased Liquefied Natural Gas ('LNG') from Pakistan State Oil Company Limited ('PSO') under the various directives of Ministry of Petroleum and Natural Resources ('MP&NR'), Government of Pakistan. Included in the cost booked during the year relating to LNG are provisional charges of Sui Southern Gas Company Limited ('SSGC') and Sui Northern Gas Pipelines Limited ('SNGPL') (hereinafter collectively referred to as the 'Gas Companies') that are based on the above mentioned Government directives and determination of Oil and Gas Regulatory Authority ('OGRA') for other consumers through its decision dated March 18, 2016. Based on the advice of the company's legal counsel, management strongly believes that the amounts claimed by the Gas Companies from the company would eventually be in line with the above basis. Consequently, no provision has been made in these financial statements for the differential amount of Rs 448.950 million based on the advice of the company's legal counsel that there are meritorious grounds to follow the above basis.

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19.2 Commitments in respect of

(i) Letters of credit other than for capital expenditure Rs 66.821 million (2014: Nil).

(i1) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2015	2014
	(Rupees in thousand)	
Not later than one year	59,854	40,258
Later than one year and not later than five years	120,096	31,637
	179,950	71,895

20. Property, plant and equipment

		2015	2014
Operating fixed assets	- note 20.1	39,126,732	39,822,111
Capital work-in-progress	- note 20.2	11,588	12,408
Capital stores and stand-by equipment	- note 20.3	55,764	74,421
		39,194,084	39,908,940

20.1 Operating fixed assets

(Rupees in thousand)

	Freehold land	Buildings on freehold land	Buildings on leasehold	Railway siding	Plant and machinery	Aircrafts	Furniture and fixtures	Tools and other equipment	Vehicles	Catalyst	Total
COST											
Balance as at January 01, 2014	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
Additions during the year	-	4,853	31,400	-	29,334	7,372	122	6,516	-	-	79,597
Revaluation	2,009,966	45,022	-	1,000	996,197	-	-	3,110	-	-	3,055,295
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	161,879	-	161,879
Disposals during the year	-	-	-	-	-	(505,796)	-	(60)	(57,690)	-	(563,546)
Elimination of accumulated depreciation against cost on revaluation	-	(313,061)	-	(28,800)	(1,053,736)	-	(23,957)	(179,094)	-	-	(1,598,648)
Balance as at December 31, 2014	6,777,600	1,794,078	31,400	9,000	28,624,587	2,284,785	46,624	551,582	310,559	217,312	40,647,527
Balance as at January 01, 2015	6,777,600	1,794,078	31,400	9,000	28,624,587	2,284,785	46,624	551,582	310,559	217,312	40,647,527
Additions during the year	-	6,960	3,519	-	-	-	234	27,706	-	19,658	58,077
Disposals during the year	-	-	-	-	-	-	-	(19,123)	(59,887)	-	(79,010)
Balance as at December 31, 2015	6,777,600	1,801,038	34,919	9,000	28,624,587	2,284,785	46,858	560,165	250,672	236,970	40,626,594
DEPRECIATION											
Balance as at January 01, 2014	-	242,137	-	22,401	996,367	768,557	18,369	148,434	189,853	74,694	2,460,812
Charge for the year - note 20.1.3	-	107,400	262	9,475	80,283	111,620	8,306	49,617	10,883	2,483	380,329
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	140,676	-	140,676
Charge on disposals	-	-	-	-	-	(505,796)	-	(49)	(51,908)	-	(557,753)
Elimination of accumulated depreciation	-	(313,061)	-	(28,800)	(1,053,736)	-	(23,957)	(179,094)	-	-	(1,598,648)
Balance as at December 31, 2014	-	36,476	262	3,076	22,914	374,381	2,718	18,908	289,504	77,177	825,416
Balance as at January 01, 2015	-	36,476	262	3,076	22,914	374,381	2,718	18,908	289,504	77,177	825,416
Charge for the year - note 20.1.3	-	109,518	3,522	5,924	413,878	112,480	8,122	48,906	15,696	14,387	732,433
Charge on disposals	-	-	-	-	-	-	-	(677)	(57,310)	-	(57,987)
Balance as at December 31, 2015	-	145,994	3,784	9,000	436,792	486,861	10,840	67,137	247,890	91,564	1,499,862
Book value as at December 31, 2014	6,777,600	1,757,602	31,138	5,924	28,601,673	1,910,404	43,906	532,674	21,055	140,135	39,822,111
Book value as at December 31, 2015	6,777,600	1,655,044	31,135	-	28,187,795	1,797,924	36,018	493,028	2,782	145,406	39,126,732

20.1.1 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 August 31, 2014. 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:

	2015	2014
	(Rupees in thousand)	
Freehold land	911,940	911,940
Buildings on freehold land	1,252,700	1,336,110
Plant and machinery	15,896,051	16,185,267
Tools and other equipment	334,285	322,717
	18,394,976	18,756,034

20.1.2 Included in plant and machinery are assets having carrying amount of Rs 47.989 million that are installed at the manufacturing facilities of the company's customers namely Iceberg Gas Company, Coca-Cola Beverages Pakistan Limited and Pepsi Cola International (Private) Limited as these assets are used for sales to these customers.

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

		2015	2014
		(Rupees in thousand)	
Cost of sales	- note 31	528,302	181,794
Administrative expenses	- note 32	194,648	194,127
Selling and distribution expenses	- note 33	9,483	4,408
		732,433	380,329

20.1.4 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is determined on the basis of objective evidence at each reporting date.

The tables below analyze the non-financial assets carried at fair value as at December 31, 2015 and December 31, 2014.

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 non-financial assets that are measured at fair value at December 31, 2015.

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			(Rupees in thousand)	
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements of certain items of operating fixed assets				
Freehold land	–	6,777,600	–	6,777,600
Buildings on freehold land	–	–	1,655,044	1,655,044
Railway siding	–	–	–	–
Plant and machinery	–	–	28,187,795	28,187,795
Tools and other equipment	–	–	493,028	493,028
	–	6,777,600	30,335,867	37,113,467

The following table presents the company's non-financial assets that are measured at fair value at December 31, 2014.

			(Rupees in thousand)	
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements of certain items of operating fixed assets				
Freehold land	–	6,777,600	–	6,777,600
Buildings on freehold land	–	–	1,757,602	1,757,602
Railway siding	–	–	5,924	5,924
Plant and machinery	–	–	28,601,673	28,601,673
Tools and other equipment	–	–	532,674	532,674
	–	6,777,600	30,897,873	37,675,473

Movements of the above mentioned assets and surplus on revaluation of these assets have been disclosed in note 20.1 and note 7 respectively to these financial statements. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years.

Valuation techniques used to determine level 2 and level 3 fair values

The company obtains independent valuations for its freehold land, building on freehold land, railway siding, plant and machinery, and tools and equipments (classified as property, plant and equipment) at least every three years. At the end of each reporting period, the management updates its assessment of the fair value of each asset mentioned above, taking into account the most recent independent valuation. The management determines an asset's value within a range of reasonable fair value estimates. Level 2 fair value of freehold land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per square foot. Level 3 fair value of building on freehold land has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value. Level 3 fair value of railway siding, plant and machinery, and tools and equipments have been determined using a depreciated replacement cost approach, whereby, the current replacement cost of railway siding, plant and machinery, and tools and equipments of similar make / origin, capacity and level of technology has been adjusted using a suitable depreciation rate on account of normal wear and tear.

Valuation inputs and relationship to fair value

The following table summarises the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See paragraph above for the valuation techniques adopted.

Description	Fair value at 2015	Fair value at 2014	Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
Buildings on freehold land	1,655,044	1,757,602	"Cost of construction of a new similar building. Suitable depreciation rate to arrive at depreciated replacement value."	The market value has been determined by using a depreciation factor of approximately 10%-15% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.
Railway siding	–	5,924	"Cost of acquisition of similar railway siding with similar level of technology. Suitable depreciation rate to arrive at depreciated replacement value "	The market value has been determined by using cost of acquisition of similar railway siding with similar level of technology and applying a suitable depreciation factor based on remaining useful life of railway siding. Remaining useful life has been estimated to be nil. The higher the cost of acquisition of similar railway siding, higher the fair value of railway siding. Further, higher the depreciation rate, the lower the fair value of railway siding.
Plant and machinery	28,187,795	28,601,673	"Cost of acquisition of similar plant and machinery with similar level of technology. Suitable depreciation rate to arrive at depreciated replacement value "	The market value has been determined by using cost of acquisition of similar plant and machinery with similar level of echnology and applying a suitablet depreciation factor based on remaining useful lives of plant and machinery. Remaining useful lives have been estimated from 20 to 25 years. The higher the cost of acquisition of similar plant and machinery, higher the fair value of plant and machinery. Further, higher the depreciation rate, the lower the fair value of plant and machinery.
Tools and other equipment	493,028	532,674	"Cost of acquisition of similar tools and equipment with similar level of technology. Suitable depreciation rate to arrive at depreciated replacement value ."	The market value has been determined by using cost of acquisition of similar tools and equipment with similar level of technology and applying a suitable depreciation factor based on remaining useful lives of tools and equipment. Remaining useful lives have been estimated from 4 to 25 years. The higher the cost of acquisition of similar tools and equipment, higher the fair value of tools and equipment. Further, higher the depreciation rate, the lower the fair value of tools and equipment.

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			2015	2014
			(Rupees in thousand)	
20.2	**Capital work-in-progress**			
	Plant and machinery		9,468	9,320
	Civil works		295	295
	Advances against purchase of plant and machinery - considered good		1,825	2,010
	Others		–	783
			11,588	12,408
20.2.1	The reconciliation of the carrying amount is as follows:			
	Opening balance		12,408	61,718
	Additions during the year		21,383	53,130
			33,791	114,848
	Transfers during the year		(22,203)	(102,440)
	Closing balance		11,588	12,408
20.3	**Capital stores and stand-by equipment**			
	Opening balance		74,421	–
	Additions during the year		19,378	74,421
			93,799	74,421
	Transfers during the year		(38,035)	–
	Closing balance		55,764	74,421
21.	**Assets subject to finance lease**			
	These represent vehicles leased by the company.			
	COST			
	Opening balance		–	161,879
	Transfer to operating fixed assets during the year		–	(161,879)
	Closing balance		–	–
	DEPRECIATION			
	Opening balance		–	111,248
	Charge for the year	- note 21.1	–	29,428
	Transfer to operating fixed assets during the year		–	(140,676)
	Closing balance		–	–
	Closing book value		–	–
	Annual depreciation rate %		–	20
21.1	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	- note 31	–	4,540
	Administrative expenses	- note 32	–	13,840
	Selling and distribution expenses	- note 33	–	11,048
			–	29,428

			(Rupees in thousand)		
			Computer software	Mining rights	Total
22.	**Intangible assets**				
	COST				
	Balance as at January 01, 2014		33,586	210,000	243,586
	Additions during the year		10,654	–	10,654
	Balance as at December 31, 2014		44,240	210,000	254,240
	Balance as at January 01, 2015		44,240	210,000	254,240
	Additions during the year		607	–	607
	Balance as at December 31, 2015		44,847	210,000	254,847
	AMORTIZATION				
	Balance as at January 01, 2014		8,179	91,000	99,179
	Charge for the year	- note 22.2	8,662	21,000	29,662
	Balance as at December 31, 2014		16,841	112,000	128,841
	Balance as at January 01, 2015		16,841	112,000	128,841
	Charge for the year	- note 22.2	10,717	21,000	31,717
	Balance as at December 31, 2015		27,558	133,000	160,558
	Book value as at December 31, 2014		27,399	98,000	125,399
	Book value as at December 31, 2015		17,289	77,000	94,289
	Annual amortization rate %		25	10	

22.1 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 (associated company), which provides rock phosphate extraction services to the company as per the Services Agreement.

			2015	2014
			(Rupees in thousand)	
22.2	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 32	10,717	8,662
			31,717	29,662

23. Goodwill

This represents goodwill on amalgamation of REL and the company.

Impairment testing of goodwill has been carried out by allocating the amount of goodwill to respective assets on which it arose. 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 that have been discounted using a discount rate of 14.21%. The cash flows beyond the five-year period are extrapolated using an estimated growth rate of 4% which is consistent with the long-term average growth rate for the fertilizer industry. The recoverable amount calculated based on value in use exceeded carrying value by Rs 23,841 million. A long term/terminal growth rate of -5.50% or a rise in discount rate to 21.13% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

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The above cash flow projections are principally based on the assumption that gas supply would continue to the company. During the previous three years, the company has faced gas shortages that resulted in losses. However, during the current year, the company started purchasing Regasified Liquefied Natural Gas ('RLNG') from PSO due to which its plant operated for 273 days resulting in profit for the current year. PSO had imported such Liquefied Natural Gas ('LNG') from Qatargas. Management's assumption of continuity in gas supply to the company's plant is based on the long term agreement for import of LNG signed between the Government of Pakistan and Qatargas.

		2015	2014
		(Rupees in thousand)	
24. Long term investments			
Subsidiary - unquoted - available for sale (not intended to be sold within next twelve months):			
Reliance Sacks Limited (incorporated in Pakistan) 16,863,273 (2014: 16,863,273) fully paid ordinary shares of Rs 10 each Equity held 100% (2014: 100%) Book value per share Rs 26.949 (2014: Rs 18.412)	- note 24.1	297,120	258,177
Associate - unquoted - at cost:			
Multan Real Estate Company (Private) Limited 642,321 (2014: 642,321) fully paid ordinary shares of Rs 100 each Equity held 29.55% (2014: 29.55%) Book value per share Rs 100.04 (2014: Rs 99.83)	- note 24.2	64,232	64,232
Held to maturity (not due to mature within next twelve months):			
- Other	- note 24.3	43,278	38,589
		404,630	360,998

		2015	2014
24.1 Investment in Reliance Sacks Limited - at fair value			
At cost		168,633	168,633
Cumulative fair value gain recognised		128,487	89,544
	- note 24.1.1	297,120	258,177

This represents investment in the ordinary shares of RSL which is principally engaged in the manufacturing and sale of polypropylene sacks, polypropylene cloth and liners to be used in packing of fertilizers. Since RSL's ordinary shares are not listed, an investment advisor engaged by the company has estimated a fair value of Rs 17.62 per ordinary share as at December 31, 2015 through a valuation technique based on discounted cash flow analysis of RSL, hence, has been classified under level 3 of fair value hierarchy as further explained in note 44.2 to these financial statements.

The main level 3 inputs used by the company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to RSL.

- Earning growth factor is estimated based on historical performance of RSL and current market information for similar type of companies.

The significant assumption used in this valuation technique are as follows:

- Discount rate 19.80% per annum.
- Earning growth factor 2% per annum.

Sensitivity analysis

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

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2015 would be Rs 30.483 million lower.

If the earning growth factor decreases by 1% with all other variables held constant, the impact on fair value as at December 31, 2015 would be Rs 15.579 million lower.

	2015	2014
	(Rupees in thousand)	
24.1.1 The reconciliation of the carrying amount is as follows:		
Opening balance	258,177	196,137
Surplus on remeasurement of fair value of available-for-sale investment recognized as other comprehensive income	38,943	62,040
Closing balance	297,120	258,177

24.2 Associate - unquoted - at cost

This represents investment in the ordinary shares of Multan Real Estate Company (Private) Limited ('MREC'). The main business of MREC is establishing and designing housing and commercial schemes, to carry on business of civil engineers for construction of private and governmental buildings and infrastructure and provision of labor and building material.

24.3 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.

		2015	2014
		(Rupees in thousand)	
25. Stores and spare parts			
Chemicals and catalysts	- note 25.1	845,155	890,927
Stores		114,625	121,376
Spare parts [including in transit Rs 37.598 million (2014: Rs 23.112 million)]		1,677,407	1,694,948
		2,637,187	2,707,251
Provision for obsolete items		(76,224)	(76,224)
		2,560,963	2,631,027

25.1 Included in chemicals and catalysts is platinum, rhodium and palladium of Rs 80.327 million (2014: Rs 57.042 million) held by Johnson Matthey Public Limited Company, United Kingdom on behalf of the company for refining purposes.

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		2015	2014
		(Rupees in thousand)	
26. Stock-in-trade			
Raw materials	- note 26.2	539,316	426,502
Packing materials		40,044	37,508
Mid products		154,189	19,709
Finished goods:			
- Own manufactured:			
Fertilizers	- note 26.3	4,733,699	8,909
Emission reductions	- note 26.4	–	317
		4,733,699	9,226
- Fertilizer purchased for resale		2,193,497	336,387
		7,660,745	829,332

26.1 Raw materials and finished goods amounting to Rs 4,521.267 million (2014: Rs 423.610 million) are pledged with lenders as security against short term borrowings as referred to in note 15.1.

26.2 Includes rock phosphate amounting to Rs 64.396 million (2014: Rs 52.546 million) which is in the possession of PMCL (related party - associated company). The rock phosphate in possession of PMCL is due to the reason explained in note 22.1 to these financial statements.

26.3 Includes company's fertilizer product, Nitro Phosphate ('NP'), amounting to Rs 5.748 million (2014: Nil) which is in possession of FATIMA, a related party (associated company), for storage purpose as the two companies share storage space in certain areas.

26.4 This represents emission reductions costing Rs 37.137 million (2014: Rs 37.137 million) carried at their Net Realizable Value ('NRV') amounting to Nil (2014: Rs 0.317 million). The NRV write down expense of Rs 0.317 million (2014: Rs 36.820 million) has been charged to cost of sales.

		2015	2014
		(Rupees in thousand)	
27. Trade debts			
Considered good:			
- Secured (by way of bank guarantees and security deposits)	- note 27.1	2,507,978	85,878
- Unsecured		116,222	101,936
		2,624,200	187,814

27.1 These are in the normal course of business and certain debts carry interest ranging from 9.02% to 12.52% per annum.

		2015	2014
		(Rupees in thousand)	
28. Advances, deposits, prepayments and other receivables			
Advances - considered good:			
- To employees	- note 28.1	11,022	11,740
- To suppliers	- note 28.2	1,707,632	80,742
Trade deposits		–	100
Prepayments		163,712	5,986
Interest receivable on bank deposits		992	1,702
Balances with statutory authorities:			
- Sales tax			
- considered good	- note 28.5	2,206,858	–
- considered doubtful		8,911	8,911
		2,215,769	8,911
- Income tax recoverable		3,765,575	3,100,861
- Custom duty recoverable		9,812	9,812
Letters of credit - margins, deposits, opening charges etc.		248	–
Security deposits	- note 28.3	18,157	637,995
Receivable from Government of Pakistan	- note 28.4	1,302,429	–
Other receivables - considered good		103,917	81,110
		9,299,265	3,938,959
Provision for doubtful receivable		(8,911)	(8,911)
		9,290,354	3,930,048

28.1 Included in advances to employees are amounts due from executives of Rs 7.503 million (2014: Rs 7.845 million).

28.2 Includes an amount of Rs 26.741 million (2014: Rs 27.684 million) and Rs 5.895 million (2014: Nil) as advances to related parties, PMCL (associated company) and SNGPL (associated company) respectively.

28.3 Includes an amount of Nil (2014: Rs 630 million) deposited with Sindh High Court, in respect of suit filed by the company in relation to proposed acquisition of DH Fertilizers Limited ('DHFL', now Fatimafert Limited).

During the year ended December 31, 2012, the company signed a Memorandum of Understanding (MoU) with Dawood Hercules Corporation Limited ('DH Corp') for the purchase of its entire shareholding (100 million ordinary shares of Rs 10 each) in its wholly owned subsidiary, DHFL. However, the Board of Directors of DH Corp in their meeting held on December 10, 2012 decided that it did not intend to pursue the transaction for commercial reasons. Subsequently, the company filed a suit against DH Corp in Sindh High Court (the 'Court') for the enforcement of the said MoU.

During the year, the company and DH Corp reached an out of court settlement for the said suit whereby DH Corp agreed to fulfil its obligation as per the MoU by selling its entire shareholding in DHFL to the company. Consequently, the company filed an application for dismissal of the aforesaid suit which was duly accepted by the Court vide its order dated June 18, 2015 and the complete amount of deposit was refunded to the company. Furthermore, as per the settlement, the company and DH Corp entered into a 'Share Purchase Agreement' for acquisition of entire shareholding of DHFL on June 15, 2015. However, owing to the company's financial position, its Board of Directors assigned the acquisition rights, benefits and obligations under the Share Purchase Agreement to FATIMA, a related party (associated company).

28.4 During the year, the Government of Pakistan notified the payment of subsidy at the rate of Rs 500 per 50 kg bag of Di Ammonium Phosphate ('DAP') and Rs 217 per 50 kg bag of NP sold. The amount of subsidy will be paid to the company upon verification by the Federal Board of Revenue.

Notes

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28.5 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.

		2015	2014
		(Rupees in thousand)	
29. Cash and bank balances			
At banks on:			
- Saving accounts	- notes 29.1 & 29.2	382,090	1,314,132
- Current accounts	- note 29.2	130,399	94,178
		512,489	1,408,310
In hand		4,969	5,145
		517,458	1,413,455

29.1 Profit on balances in saving accounts ranges from 4% to 9% per annum.

29.2 Included in saving accounts is an amount of Rs 217.379 million (2014: Rs 274.314 million) which bears mark up at the rate of 5.75% per annum and included in current accounts is an amount of Rs 2.698 million (2014: Rs 3.019 million), both placed with Summit Bank Limited, a related party (associated company).

		2015	2014
		(Rupees in thousand)	
30. Sales			
Fertilizer products:			
- Own manufactured		16,193,646	5,790,966
- Purchased for resale		6,307,780	10,794,959
		22,501,426	16,585,925
Subsidy from Government of Pakistan	- note 28.4	1,302,429	–
Mid products		542,280	287,264
Rock phosphate		40,107	85,695
		1,884,816	372,959
		24,386,242	16,958,884
Less:			
Sales tax		2,081,415	2,523,392
Sales incentive		384,332	187,382
		2,465,747	2,710,774
		21,920,495	14,248,110

		2015	2014
		(Rupees in thousand)	
31. Cost of sales			
Raw material consumed	- notes 31.1 & 31.2	11,898,039	1,901,383
Packing material consumed		339,559	75,845
		12,237,598	1,977,228
Salaries, wages and other benefits	- note 31.3	638,150	475,852
Fuel and power	- notes 31.4	2,461,501	710,373
Chemicals and catalysts consumed		408,497	7,950
Spare parts consumed		151,981	100,621
Stores consumed		45,723	20,707
Repairs and maintenance		73,713	141,524
Insurance		128,412	154,920
Depreciation on operating fixed assets	- note 20.1.3	528,302	181,794
Depreciation on assets subject to finance lease	- note 21.1	–	4,540
Toll manufacturing charges and freight	- note 31.5	723,838	978,864
Others	- note 31.6	40,310	29,635
		17,438,025	4,784,008
Opening stock of mid products		19,709	40,519
Closing stock of mid products		(180,135)	(19,709)
		(160,426)	20,810
Cost of goods manufactured		17,277,599	4,804,818
Opening stock of finished goods		9,226	20,391
Closing stock of finished goods		(4,707,754)	(9,226)
		(4,698,528)	11,165
Cost of goods sold - own manufactured		12,579,071	4,815,983
Cost of goods sold - purchased for resale		4,773,728	7,448,261
		17,352,799	12,264,244

31.1 Includes feed gas consumed of Nil (2014: Rs 745.024 million) purchased from SNGPL, a related party (associated company).

31.2 Includes expenses of Rs 43.459 million (2014: Rs 81.529 million) for extraction of rock phosphate by PMCL, a related party (associated company), as explained in note 22.1 to these financial statements.

	2015	2014
	(Rupees in thousand)	
31.3 Salaries, wages and other benefits		
Salaries, wages and other benefits include the following in respect of retirement benefits:		
Gratuity		
Current service cost	15,792	15,969
Interest cost for the year	7,425	7,560
Expected return on plan assets	(6,492)	(6,274)
	16,725	17,255
Accumulating compensated absences		
Current service cost	8,059	2,487
Interest cost for the year	4,052	1,207
Remeasurements	524	(2,868)
	12,635	826

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In addition to the above, salaries, wages and other benefits include Rs 13.215 million (2014: Rs 12.332 million) in respect of provident fund contribution by the company.

31.4 Includes fuel gas consumed of Rs 46.907 million (2014: Rs 644.746 million) purchased from SNGPL, a related party (associated company).

31.5 This includes processing services of Rs 658.842 million (2014: Rs 976.416 million) availed from FATIMA, a related party (associated company).

31.6 Includes operating lease rentals amounting to Rs 15.224 million (2014: Rs 13.671 million).

			2015	2014
			(Rupees in thousand)	
32.	**Administrative expenses**			
	Salaries, wages and other benefits	- note 32.1	301,435	201,411
	Travelling and conveyance		15,546	13,205
	Telephone, telex and postage		14,521	14,024
	Stationery, printing and periodicals		5,194	7,763
	Rent, rates and taxes	- note 32.2	59,738	38,747
	Repairs and maintenance		50,130	28,768
	Aircraft operating expenses	- note 32.3	123,161	111,764
	Insurance		13,540	17,950
	Legal and professional charges		23,126	13,956
	Vehicle running expenses		2,785	1,644
	Entertainment		7,765	3,435
	Advertisement		352	462
	Depreciation on operating fixed assets	- note 20.1.3	194,648	194,127
	Depreciation on assets subject to finance lease	- note 21.1	–	13,840
	Amortization on intangible assets	- note 22.2	10,717	8,662
	Other		56,739	60,932
		- note 32.4	879,397	730,690
32.1	**Salaries, wages and other benefits**			
	Salaries, wages and other benefits include the following in respect of retirement benefits:			
	Gratuity			
	Current service cost		5,325	5,466
	Interest cost for the year		2,503	2,589
	Expected return on plan assets		(2,189)	(2,148)
	Amount charged to related party		(1,108)	(1,055)
			4,531	4,852
	Accumulating compensated absences			
	Current service cost		3,060	1,338
	Interest cost for the year		1,539	649
	Remeasurements		199	(1,544)
			4,798	443

In addition to the above, salaries, wages and other benefits include Rs 5.302 million (2014: Rs 5.222 million) in respect of provident fund contribution by the company.

32.2 Includes operating lease rentals amounting to Rs 19.289 million (2014: Rs 18.563 million).

32.3 Includes expenses of Rs 35.120 million (2014: Rs 31.090 million) for flying and maintenance services of the company's aircraft by Air One (Private) Limited, a related party (associated company) as per the Services Agreement.

32.4 Includes amount of Rs 187.733 million (2014: Rs 103.959 million) which represents common costs charged to the company by FATIMA, a related party (associated company) as per the Expense Sharing Agreement. Also, the amount is net of Rs 81.111 million (2014: Rs 74.205 million) which represents common costs charged by the company to FATIMA, a related party (associated company) as per the Expense Sharing Agreement.

			2015	2014
			(Rupees in thousand)	
33.	**Selling and distribution expenses**			
	Salaries, wages and other benefits	- note 33.1	117,712	14,428
	Travelling and conveyance		9,655	1,491
	Telephone, telex and postage		6,772	750
	Stationery, printing and periodicals		1,745	184
	Rent, rates and taxes	- note 33.2	40,662	3,273
	Repairs and maintenance		5,007	995
	Insurance		3,153	846
	Vehicle running expenses		7,436	1,985
	Entertainment		3,966	523
	Advertisement and sale promotion		148,982	15,566
	Depreciation on operating fixed assets	- note 20.1.3	9,483	4,408
	Depreciation on assets subject to finance lease	- note 21.1	–	11,048
	Transportation and freight		533,238	630,288
	Utilities		1,066	236
	Technical services		–	93
	Others		7,665	126
		- note 33.3	896,542	686,240
33.1	**Salaries, wages and other benefits**			
	Salaries, wages and other benefits include the following in respect of retirement benefits:			
	Gratuity			
	Current service cost		9,981	9,744
	Interest cost for the year		4,692	4,613
	Expected return on plan assets		(4,103)	(3,830)
	Amount charged to related party		(7,196)	(8,185)
			3,374	2,342
	Accumulating compensated absences			
	Current service cost		4,851	8,005
	Interest cost for the year		2,439	3,885
	Remeasurements		315	(9,234)
			7,605	2,656

In addition to the above, salaries, wages and other benefits include Rs 9.901 million (2014: Rs 8.815 million) in respect of provident fund contribution by the company.

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33.2 Includes operating lease rentals amounting to Rs 30.952 million (2014: Rs 21.252 million).

33.3 Includes amount of Rs 137.458 million (2014: Rs 23.308 million) which represents common costs charged to the company by FATIMA, a related party (associated company) as per the Expense Sharing Agreement. Also, the amount is net of Rs 437.373 million (2014: Rs 378.513 million) which represents common costs charged by the company to FATIMA, a related party (associated company) as per the Expense Sharing Agreement.

		2015	2014
		(Rupees in thousand)	
34. Finance cost			
Interest/markup on:			
- PPTFCs - secured		–	115,223
- Finance leases		–	740
- Short term borrowings - secured	- note 34.1	839,871	567,914
- Long term loan from related parties - unsecured	- note 34.2	143,592	–
- Long term loans - secured		176,732	255,986
- Syndicated term finance - secured		–	12,775
- Short term borrowing from related party - secured	- note 34.3	296,779	368,384
Loan arrangement fees and other charges		605	4,551
Commission on letter of credit		137,090	141,471
Amortisation of transaction cost	- note 8.2.7	482	–
Bank charges		81,837	26,640
Late payment surcharge on unpaid GIDC		–	132,159
		1,676,988	1,625,843

34.1 Includes interest expense of Rs 36.916 million (2014: Rs 45.864 million) on account of running finance facility availed from a related party, Summit Bank Limited (associated company).

	2015	2014
	(Rupees in thousand)	
34.2 This relates to the following related parties:		
Fatima Holdings Limited (associated company)	15,931	–
Reliance Commodities (Private) Limited (associated company)	41,057	–
Member and Chairman's spouse	33,402	–
Chairman's children	5,067	–
Directors	48,135	–
	143,592	–

34.3 This relates to FATIMA, related party (associated company).

		2015	2014
		(Rupees in thousand)	
35. Other expenses			
Donations	- note 35.1	20,947	1,431
Advances written off		2,218	–
Exchange loss		227,441	–
Workers' profit participation fund	- note 17.5	59,843	–
Workers' welfare fund		22,740	–
		333,189	1,431

35.1 Includes an amount of Rs 20.947 million (2014: Nil) donated to a related party, Mukhtar A. Sheikh Trust (associated undertaking).

		2015	2014
		(Rupees in thousand)	
36. Other income			
Income from financial assets:			
Income on bank deposits	- note 36.1	61,589	24,445
Unrealised gain on investment held to maturity		4,689	4,181
Mark-up on credit sale of fertilizers		1,517	10,392
Exchange gain		–	72,798
		67,795	111,816
Income from non-financial assets:			
Rental income	- note 36.2	17,486	24,141
Profit on disposal of operating fixed assets		5,579	367,234
Scrap sales and sundry income	- note 36.3	24,517	32,460
Gain on recovery of chemical catalysts		–	200,607
Provisions and unclaimed balances written back	- note 36.4	148,465	21,154
Income from biological laboratory		4,636	4,055
Profit on disposal of chemical catalysts		–	165,320
Excess insurance premium refunded		64,205	108,940
		264,888	923,911
		332,683	1,035,727

36.1 Includes interest income of Rs 7.360 million (2014: Rs 16.328 million) on account of saving account with Summit Bank Limited, a related party (associated company).

36.2 Includes rental income for vehicles in use of and accomodation provided to the employees of the following related parties (associated companies):

	2015	2014
	(Rupees in thousand)	
FATIMA	64	10,341
Fatima Energy Limited	996	–
Reliance Weaving Mills Limited	3,452	–
	4,512	10,341

36.3 Includes an amount of Rs 1.084 million (2014: Nil) in respect of scrap sales to FATIMA.

36.4 Includes an amount of Rs 132.159 million (2014: Nil) in respect of late payment surcharge on GIDC payable, written back during the year relating to the period before the enactment of GIDC Act, 2015.

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		2015	2014
		(Rupees in thousand)	
37. Taxation			
Current tax			
- For the year		206,336	147,588
- Prior years		21,215	–
		227,551	147,588
Deferred tax	- note 13	(1,573,000)	(127,538)
		(1,345,449)	20,050

37.1 As explained in note 4.1, the company's provision for taxation (current and deferred) is based on the consolidated results of the Group.

	2015	2014
	% age	% age
37.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	32.00	33.00
Tax effect of amounts that are:		
Not deductible for tax purposes	3.18	(40.46)
Income exempt from tax	(37.39)	–
Allowable as tax credit	–	11.92
Within Group taxation as explained in note 4.1	1.86	(55.61)
Effect of change in tax rate	(75.49)	1.00
Effect of change in prior years' tax	(44.91)	(31.32)
	(152.75)	(114.47)
Average effective tax rate	(120.75)	(81.47)

	2015	2014
	(Rupees in thousand)	
38. Cash (used in)/generated from operations		
Profit/(loss) before taxation	1,114,263	(24,611)
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	732,433	380,329
- Depreciation on leased assets	–	29,428
- Advances written off	2,218	–
- Amortization on intangible assets	31,717	29,662
- Retirement benefits accrued	57,972	37,614
- Profit on disposal of operating fixed assets	(5,579)	(367,234)
- Provisions and unclaimed balances written back	(148,465)	(21,154)
- Finance cost	1,676,988	1,625,843
- Income on bank deposits	(61,589)	(24,445)
- Unrealised gain on investment held to maturity	(4,689)	(4,181)
- Exchange loss/(gain)	227,440	(72,798)
- Gain on recovery of chemical catalysts	–	(200,607)
Profit before working capital changes	3,622,709	1,387,846
Effect on cash flow due to working capital changes		
- Decrease in stores and spare parts	70,064	411,698
- Increase in stock-in-trade	(6,947,585)	(17,673)
- Increase in trade debts	(2,436,386)	(34,651)
- Increase in advances, deposits prepayments and other receivables	(4,698,520)	(555,664)
- Increase in trade and other payables	2,266,837	3,729,233
	(11,745,590)	3,532,943
	(8,122,881)	4,920,789

		2015	2014
		(Rupees in thousand)	
39. Cash and cash equivalents			
Short term borrowings	- note 15	(15,151,614)	(4,637,446)
Cash and bank balances	- note 29	517,458	1,413,455
		(14,634,156)	(3,223,991)

40. 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 41. Significant related party transactions have been disclosed in respective notes in these financial statements except for the following:

		2015	2014
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Subsidiary	Purchase of goods	457,094	204,480
ii. Associated undertakings	Sale of goods and services	–	170,321
	Purchase of goods	88,986	13,247
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	61,335	60,058

41. Remuneration of Chief Executive, Directors and Executives

41.1 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		Executive Directors		Non-Executive Directors		Executives	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)							
Short term employee benefits								
Managerial remuneration	–	–	–	–	5,673	6,000	320,673	283,252
Housing rent	–	–	–	–	–	–	109,327	97,177
Utilities	–	–	–	–	–	–	24,295	21,595
Conveyance	–	–	–	–	–	240	24,295	21,595
Medical expenses	–	–	–	–	567	–	9,868	16,428
Leave passage	–	–	–	–	945	1,000	38,169	35,031
Others	–	–	–	–	–	–	15,875	7,320
	–	–	–	–	7,185	7,240	542,502	482,398
Post employment benefits								
Contribution to provident and gratuity funds	–	–	–	–	–	–	42,155	36,985
Other long term benefits								
Accumulating compensated absences	–	–	–	–	–	–	44,358	37,286
	–	–	–	–	7,185	7,240	629,015	556,669
Number of persons	1	1	1	1	6	6	231	208

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

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		2015	2014
42. Capacity and production			
Urea			
Rated production capacity	M. Tons	92,400	92,400
Actual urea produced	M. Tons	–	6,789

Nil production of UREA is attributable to high cost of production as comapred to other fertilizer products of the company. The company intends to resume production of UREA next year as it expects that the price of RLNG will decrease in future.

		2015	2014
Nitro Phosphate (NP)			
Rated production capacity	M. Tons	304,500	304,500
Actual NP produced	M. Tons	265,349	44,684

The low production of NP is due to shortage of feed gas and periodical maintenance.

		2015	2014
Calcium Ammonium Nitrate (CAN)			
Rated production capacity	M. Tons	450,000	450,000
Actual CAN produced	M. Tons	287,954	55,432

The low production of CAN is due to shortage of feed gas and periodical maintenance.

43. 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, 2015 and 2014:

	2015	2014
	(Rupees in thousand)	
Size of the Funds - total assets	350,297	315,758
Cost of investments made	270,528	225,735
Percentage of investments made	86%	79%
Fair value of investments	300,566	249,102
Break up of investments		
Special accounts in a scheduled bank	199,028	207,735
Mutual funds - listed	101,539	41,367

	2015	2014
	% age of size of the Fund	
Break up of investments		
Special accounts in a scheduled bank	57%	66%
Mutual funds - listed	29%	13%

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.

44. Financial risk management

44.1 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.

The company's overall risk management procedures to minimize potential adverse effect of financial market on company are as follows:

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.

	2015	2014
Amount payable - USD	19,596,344	42,557,215
Cash and bank balances - USD	(11,627)	(151,586)
Net liability exposure - USD	19,584,717	42,405,629
Cash and bank balances - Euro	(5,095)	(364,906)
Net asset exposure - Euro	(5,095)	(364,906)

At December 31, 2015 if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on pre tax profit for the year would have been Rs 100.863 million (2014: Rs 214.572 million) lower/higher, mainly as a result of exchange losses/gains on translation of USD denominated financial instruments.

At December 31, 2015 if the Rupee had weakened/strengthened by 5% against the Euro with all other variables held constant, the impact on pre tax profit for the year would have been Nil (2014: Rs 2.456 million) higher/lower, mainly as a result of exchange gains/losses on translation of Euro denominated financial instruments.

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

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/loans and short term borrowings. 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:

	2015	2014
	(Rupees in thousand)	
Fixed rate instruments:		
Financial assets		
Investment	43,278	38,589
Trade debts	2,510,370	121,369
Bank balances - saving accounts	382,090	1,314,132
	2,935,738	1,474,090
Financial liabilities	–	–
Net exposure	2,935,738	1,474,090
Floating rate instruments:		
Financial assets	–	–
Financial liabilities		
Long term loans from related parties	2,232,952	825,968
Long term finances	3,042,161	1,966,071
Short term borrowing from related party	2,200,000	3,000,000
Short term borrowings	15,151,614	4,637,446
	22,626,727	10,429,485
Net exposure	(22,626,727)	(10,429,485)

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 profit for the year would have been Rs 226.306 million (2014: Rs 96.035 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate instruments.

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:

	2015	2014
	(Rupees in thousand)	
Long term investments	404,630	360,998
Security deposits	28,554	34,534
Trade debts	1,922,564	142,968
Advances, deposits and other receivables	123,066	720,807
Cash and bank balances	512,489	1,408,310
	2,991,303	2,667,617

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:

	2015	2014
	(Rupees in thousand)	
Neither past due nor impaired	1,922,564	142,968
Past due but not impaired:		
1 to 90 days	223,613	7,700
91 to 180 days	167,710	10,834
181 to 270 days	192,816	1,240
above 270 days	117,497	25,072
	701,636	44,846
	2,624,200	187,814

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.

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

	Rating Short term	Long term	Rating Agency	2015	2014
				(Rupees in thousand)	
Al Baraka Islamic Bank Limited	A1	A	PACRA	6,973	11,038
Allied Bank Limited	A1+	AA+	PACRA	70	76
Summit Bank Limited	A-1	A	JCR-VIS	220,076	277,332
Bank Alfalah Limited	A1+	AA	PACRA	45,042	444,136
Deutsche Bank AG	A-2	BBB+	Standard & Poor	1,738	0.1
Dubai Islamic Bank Limited	A-1	A+	JCR-VIS	2	2
Faysal Bank Limited	A1+	AA	PACRA	3,701	7,253
Habib Bank Limited	A-1+	AAA	JCR-VIS	100,686	60,973
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	99	558,166
MCB Bank Limited	A1+	AAA	PACRA	5,387	2,127
Meezan Bank Limited	A-1+	AA	JCR-VIS	726	4,444
National Bank of Pakistan	A-1+	AAA	JCR-VIS	202	3,508
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	21,443	4,250
United Bank Limited	A-1+	AA+	JCR-VIS	90,501	15,302
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	59	58
BankIslami Pakistan Limited	A1	A+	PACRA	10,633	12,180
Sindh Bank Limited	A-1+	AA	JCR-VIS	4,879	6,922
Burj Bank Limited	A-2	A-	JCR-VIS	271	543
Citibank N.A.	P-1	A2	MOODY'S	0.3	0.3
				512,489	1,408,310

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.

The following are the contractual maturities of financial liabilities as at December 31, 2015 and December 31, 2014:

At December 31, 2015	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	3,042,161	1,072,022	1,970,139	–
Long term loan from related parties	2,232,952	–	2,232,952	–
Long term deposits	44,860	–	–	44,860
Short term borrowing from related party	2,200,000	2,200,000	–	–
Short term borrowings	15,151,614	15,151,614	–	–
Trade and other payables	7,266,324	7,266,324	–	–
Accrued finance cost	449,423	449,423	–	–
	30,387,334	26,139,383	4,203,091	44,860

At December 31, 2014	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	1,966,071	901,189	1,064,882	–
Long term loan from related parties	825,968	–	825,968	–
Import bill payable	2,414,400	1,314,400	1,100,000	–
Long term deposits	48,070	–	–	48,070
Short term borrowing from related party	3,000,000	3,000,000	–	–
Short term borrowings	4,637,446	4,637,446	–	–
Trade and other payables	6,560,190	6,560,190	–	–
Accrued finance cost	319,531	319,531	–	–
	19,771,676	16,732,756	2,990,850	48,070

44.2 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. 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).

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to and forming part of the Financial Statements for the year ended December 31, 2015

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2015.

	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale				
Ordinary shares of RSL	–	–	297,120	297,120
Total assets	–	–	297,120	297,120
Total liabilities	–	–	–	–

The following table presents the company's assets and liabilities that are measured at fair value at December 31, 2014.

	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale				
Ordinary shares of RSL	–	–	258,177	258,177
Total assets	–	–	258,177	258,177
Total liabilities	–	–	–	–

Movement in the above mentioned assets has been disclosed in note 24.1.1 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since RSL's ordinary shares are not listed, an investment advisor engaged by the company has estimated a fair value of Rs 18.63 per ordinary share as at December 31, 2015 through a valuation technique based on discounted cash flow analysis of RSL. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

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.

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.

44.3 Financial instruments by categories

As at December 31, 2015	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	–	–	–	28,554	28,554
Trade debts	–	–	–	2,624,200	2,624,200
Advances, deposits and other receivables	–	–	–	123,066	123,066
Investments	297,120	–	43,278	–	340,398
Cash and bank balances	–	–	–	517,458	517,458
	297,120	–	43,278	3,293,278	3,633,676

As at December 31, 2015	Financial liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term finances	3,042,161
Long term loan from related parties	2,232,952
Long term deposits	44,860
Short term borrowing from related party	2,200,000
Short term borrowings	15,151,614
Trade and other payables	7,266,324
Accrued finance cost	449,423
	30,387,334

As at December 31, 2014	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	–	–	–	34,534	34,534
Trade debts	–	–	–	187,814	187,814
Advances, deposits and other receivables	–	–	–	720,807	720,807
Investments	258,177	–	38,589	–	296,766
Cash and bank balances	–	–	–	1,413,455	1,413,455
	258,177	–	38,589	2,356,610	2,653,376

As at December 31, 2014	Financial liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term finances	1,966,071
Long term loan from related parties	825,968
Import bill payable	2,414,400
Long term deposits	48,070
Short term borrowing from related party	3,000,000
Short term borrowings	4,637,446
Trade and other payables	6,560,190
Accrued finance cost	319,531
	19,771,676

Notes

to and forming part of the Financial Statements for the year ended December 31, 2015

44.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2015	A	B	C = A + B	D	E = C + D	
Security deposits	-	-	-	-	-	28,554
Trade debts	-	-	-	-	-	2,624,200
Advances, deposits and other receivables	-	-	-	-	-	123,066
Investments	-	-	-	-	-	404,630
Cash and bank balances	-	-	-	-	-	517,458
	-	-	-	-	-	

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2014	A	B	C = A + B	D	E = C + D	
Security deposits	-	-	-	-	-	34,534
Trade debts	-	-	-	-	-	187,814
Advances, deposits and other receivables	-	-	-	-	-	720,807
Investments	-	-	-	-	-	360,998
Cash and bank balances	-	-	-	-	-	1,413,455
	-	-	-	-	-	

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial liabilites	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilites presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilites not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2015	A	B	C = A + B	D	E = C + D	
Long term finances	-	-	-	-	-	3,042,161
Long term loan from related parties	-	-	-	-	-	2,232,952
Import bill payable	-	-	-	-	-	-
Long term deposits	-	-	-	-	-	44,860
Short term borrowing from related party	-	-	-	-	-	2,200,000
Short term borrowings	-	-	-	-	-	15,151,614
Trade and other payables	-	-	-	-	-	7,266,324
Accrued finance cost	-	-	-	-	-	449,423
	-	-	-	-	-	

	Gross amounts of recognized financial liabilites	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilites presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilites not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2014	A	B	C = A + B	D	E = C + D	
Long term finances	-	-	-	-	-	1,966,071
Import bill payable	-	-	-	-	-	2,414,400
Long term loan from related party	-	-	-	-	-	825,968
Long term deposits	-	-	-	-	-	48,070
Short term borrowing from related party	-	-	-	-	-	3,000,000
Short term borrowings	-	-	-	-	-	4,637,446
Trade and other payables	-	-	-	-	-	6,560,190
Accrued finance cost	-	-	-	-	-	319,531
	-	-	-	-	-	

44.5 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 company is not subject to any externally imposed capital requirements.

The gearing ratios as at December 31, 2015 and 2014 were as follows:

		2015	2014
		(Rupees in thousand)	
Borrowings - notes 8, 9 and 14		7,475,113	5,792,039
Less: Cash and cash equivalents	- note 39	(14,634,156)	(3,223,991)
Net debt		22,109,269	9,016,030
Total equity (includes surplus on revaluation of operating fixed assets)		23,911,341	20,773,411
Gearing ratio	**Percentage**	48%	30%

	2015	2014
45. Number of employees		
Total number of employees as at December 31	811	730
Average number of employees during the year	741	752

46. Date of authorization for issue

These financial statements were authorized for issue on April 08, 2016 by the Board of Directors of the company.

Chief Executive

Director

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CONSOLIDATED FINANCIAL STATEMENTS OF

pakarab FERTILIZERS LIMITED

for the year ended December 31, 2015

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakarab Fertilizer Limited (the holding company) and its subsidiary company (hereinafter referred to as 'the Group') as at December 31, 2015 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 statement are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statement 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.
In our opinion, the consolidated financial statements present fairly the financial position of Pakarab Fertilizer Limited and its subsidiary company (the Group) as at December 31, 2015 and the results of their operations for the year then ended.

A.F. Ferguson & Co.
Chartered Accountants
Lahore. April 08, 2016

Engagement Partner: Muhammad Masood

Consolidated Balance Sheet

as at December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,000,000,000 (2014: 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 (2014: 450,000,000)			
ordinary shares of Rs 10 each	5	4,500,000	4,500,000
Reserves	6	4,570,202	1,852,941
		9,070,202	6,352,941
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	7	15,022,831	14,491,103
NON-CURRENT LIABILITIES			
Long term finances - secured	8	1,970,139	1,136,095
Long term loans from related parties - unsecured	9	2,232,952	825,968
Import bill payable - secured	10	–	1,100,000
Long term deposits	11	44,860	48,070
Deferred liabilities	12	132,980	115,789
Deferred taxation	13	7,959,368	10,192,205
		12,340,299	13,418,127
CURRENT LIABILITIES			
Current portion of long term loans	8	1,143,236	972,404
Short term borrowing from related party - secured	14	2,200,000	3,000,000
Short term borrowings - secured	15	15,451,553	4,920,913
Payable to Privatization Commission of Pakistan	16	2,197,901	2,197,901
Trade and other payables	17	8,491,483	7,685,539
Accrued finance cost	18	455,344	326,929
		29,939,517	19,103,686
CONTINGENCIES AND COMMITMENTS	19	66,372,849	53,365,857

The annexed notes 1 to 47 form an integral part of these financial statements.

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20	39,624,467	40,346,187
Assets subject to finance lease	21	–	–
Intangible assets	22	94,289	125,399
Goodwill	23	3,305,163	3,305,163
Long term investments	24	107,510	102,821
Security deposits		28,554	34,534
		43,159,983	43,914,104
CURRENT ASSETS			
Stores and spare parts	25	2,573,378	2,638,695
Stock-in-trade	26	7,899,332	993,934
Trade debts	27	2,793,170	405,698
Advances, deposits, prepayments and other receivables	28	9,416,166	3,984,464
Cash and bank balances	29	530,820	1,428,962
		23,212,866	9,451,753
		66,372,849	53,365,857

Chief Executive

Director

Consolidated Profit and Loss Account

for the year ended December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Sales	30	23,021,808	15,655,993
Cost of sales	31	(18,232,840)	(13,419,947)
Gross profit		4,788,968	2,236,046
Administrative expenses	32	(893,150)	(741,373)
Selling and distribution expenses	33	(909,689)	(700,157)
		2,986,129	794,516
Finance cost	34	(1,713,275)	(1,683,907)
Other expenses	35	(347,879)	(13,522)
		924,975	(902,913)
Other income	36	332,683	1,040,410
Profit before taxation		1,257,658	137,497
Taxation	37	1,346,651	(60,978)
Profit for the year		2,604,309	76,519
Profit attributable to owners of the parent		2,604,309	76,519

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Profit for the year		2,604,309	76,519
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		115,832	82,646
Remeasurement of post retirement benefit obligation		(2,880)	(1,290)
		112,952	81,356
Other comprehensive income - net of tax		112,952	81,356
Total comprehensive income for the year - net of tax		2,717,261	157,875
Attributable to owners of the parent		2,717,261	157,875

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Statement of Changes In Equity

for the year ended December 31, 2015

(Rupees in thousand)

	Share capital	General reserve	(Accumulated loss) / un appropriated profit	Total
	Attributable to the owners of the parent			
		Revenue reserves		
Balance as on January 1, 2014	4,500,000	2,098,313	(403,247)	6,195,066
Profit for the year	–	–	76,519	76,519
Other comprehensive income for the year - net of tax	–	–	81,356	81,356
Total comprehensive income for the year	–	–	157,875	157,875
Balance as on December 31, 2014	4,500,000	2,098,313	(245,372)	6,352,941
Profit for the year	–	–	2,604,309	2,604,309
Other comprehensive income for the year - net of tax	–	–	112,952	112,952
Total comprehensive income for the year	–	–	2,717,261	2,717,261
Balance as on December 31, 2015	4,500,000	2,098,313	2,471,889	9,070,202

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Cash Flow Statement

for the year ended December 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in)/generated from operations	38	(7,943,316)	5,171,593
Finance cost paid		(1,584,378)	(1,570,850)
Taxes paid		(966,852)	(564,569)
Retirement benefits paid		(43,661)	(49,587)
Security deposits - net		2,770	(14,600)
Net cash (outflow)/inflow from operating activities		(10,535,437)	2,971,987
Cash flows from investing activities			
Purchase of property, plant and equipment		(53,221)	(59,727)
Purchase of intangible assets		(607)	(10,654)
Sale proceeds of property, plant and equipment disposed		26,606	373,052
Investments made		–	(227)
Profit on bank deposits received		62,299	24,857
Net cash inflow from investing activities		35,077	327,301
Cash flows from financing activities			
Repayment of redeemable capital		–	(1,625,000)
Proceeds from long term loans acquired		2,000,000	500,000
Proceeds from long term loans acquired from related parties		2,003,707	825,968
Repayment of long term loans		(972,406)	(1,539,421)
Repayment of long term loans from related parties		(596,723)	–
Payment of import bill payable		(2,539,800)	-
Proceeds from short term borrowing acquired from related party		500,000	-
Payment of initial transaction cost on long term loan acquired		(23,200)	-
Repayment of short term borrowing from related party		(1,300,000)	–
Payment of finance lease liabilities		–	(21,602)
Net cash outflow from financing activities		(928,422)	(1,860,055)
Net (decrease)/increase in cash and cash equivalents		(11,428,782)	1,439,233
Cash and cash equivalents at the beginning of the year		(3,491,951)	(4,931,184)
Cash and cash equivalents at the end of the year	39	(14,920,733)	(3,491,951)

The annexed notes 1 to 47 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, 2015

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 (hereinafter also referred to as the 'fertilizer operations') 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 operations').

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, 2015 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 following:

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the group's financial statments.

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 groups having accounting periods beginning on or after January 1, 2016 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 certain 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 4.3.

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 4.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 23).

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).

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.

4.1 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.

Notes

to and forming part of the Consolidated Financial Statements for the year ended December 31, 2015

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 subsequent 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.

d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated profit and loss account where appropriate.

The group's share of post-acquisition profit or loss is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the consolidated profit and loss account.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated profit and loss account.

4.2 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

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.

The group has opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001.

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.

4.3 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 defined benefit gratuity plan for all permanent employees of the fertilizer operations having a service period of more than three years for executives and six months for workers and other staff. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at December 31, 2015 using the "Projected Unit Credit Method".

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the group as reduced by benefits paid during the year.

The amount recognized in balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the profit and loss account.

Notes

to and forming part of the Consolidated Financial Statements for the year ended December 31, 2015

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

Discount rate	9% p.a.
Expected rate of increase in salary level per annum	8% p.a.
Duration of plan (years)	9
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)

(b) Defined contribution plan - Provident Fund

There is an approved defined contributory provident fund for all permanent employees of the fertilizer operations. 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

The fertilizer operations provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences. Under the service rules, workers and normal staff members are entitled to 18 days leave per year. The leave policy for management employees is as follows:

Service in the company	Annual Leaves
Less than 05 Years	18
Less than 05 Years (Working on Shift Duties)	22
More than 05 Years	25
More than 05 Years (Working on Shift Duties)	29

The unutilized Annual Leave can be accumulated up to a maximum of 2 years of Annual Leaves. An employee will be entitled to encash the accumulated annual leaves at the time of leaving company service.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at December 31, 2015 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of the defined benefit obligation. Actuarial gains and losses are charged to the profit and loss account immediately in the period when these occur.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

Discount rate	9% p.a.
Expected rate of increase in salary level per annum	8% p.a.
Expected mortality rate	SLIC (2001-2005) mortality table (setback 1 year)

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. 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 amounts of the assets (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%
Buildings on leasehold land	- do -	4% to 10%
Railway siding	- do -	26%
Aircrafts	- do -	10% to 10.08%
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 operations	- do -	4.35% to 4.76%
Plant and machinery - Fertilizer operations	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 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.

4.4.2 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.

4.4.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to operating assets category as and when such items 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).

Notes

to and forming part of the Consolidated Financial Statements for the year ended December 31, 2015

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 group is the lessee.

4.7.1 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. 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 21. 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 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.

4.9 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 Investments in equity instruments of associate

Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

4.10 Financial assets

4.10.1 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.

4.10.2 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.

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to and forming part of the Consolidated Financial Statements for the year ended December 31, 2015

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 4.16.

4.11 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.

4.12 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 group 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 group designates certain derivatives as cash flow hedges.

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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.

4.14 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 group 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 and goods purchased for resale, except for those in transit, signifies weighted average cost and that relating to mid products and own manufactured 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 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.

4.17 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 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 group 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.

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4.20 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 not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow shall be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.21 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

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in 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 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 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.

- Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met.

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 members is recognised as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up share capital

2015	2014		2015	2014
(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

	2015	2014
	(Number of shares)	
Ordinary shares of the parent 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	84,145,872	71,250,558
Fazal Cloth Mills Limited	–	25,790,610
Arif Habib Corporation Limited	135,000,000	135,000,000
Amir Fine Exports (Private) Limited	12,895,296	–
	239,177,781	239,177,781

	2015	2014
	(Number of shares)	
6. Reserves		
Revenue:		
- General reserve	2,098,313	2,098,313
- Un-appropriated profit/(accumulated loss)	2,471,889	(245,372)
	4,570,202	1,852,941

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 the above mentioned assets except freehold land. The valuation of the assets was carried out by an independent valuer, M/s Pirsons Chemical Engineering (Private) Limited, on August 31, 2014. Surplus on revaluation of operating fixed assets can be utilized by the group only for the purposes specified in section 235 of the Companies Ordinance, 1984.

The revaluation surplus relating to above mentioned 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:

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		2015	2014
		(Rupees in thousand)	
Opening balance - net of tax		14,491,103	11,884,336
Revaluation surplus during the year	- note 20.1	–	3,055,295
Deferred tax on revaluation surplus	- note 13	647,560	(365,882)
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(115,832)	(82,646)
Closing balance - net of tax	- note 7.1	15,022,831	14,491,103

7.1 Includes surplus on revaluation of freehold land amounting to Rs 5,865.66 million (2014: Rs 5,865.66 million).

		2015	2014
		(Number of shares)	
8. Long term finances - secured			
Redeemable capital	- note 8.1	–	–
Long term loans	- note 8.2	3,113,375	2,108,499
		3,113,375	2,108,499
Current portion shown under current liabilities		(1,143,236)	(972,404)
		1,970,139	1,136,095

8.1 Redeemable capital

This represents Privately Placed Term Finance Certificates ('PPTFCs'). These were redeemed last year.

	2015	2014
	(Rupees in thousand)	
Opening balance	–	1,625,000
Redeemed during the year	–	(1,625,000)
Current portion shown under current liabilities	–	–
	–	–
	–	–

8.2 Long term loans

		2015	2014
These have been obtained from the following financial institutions:			
Standard Chartered Bank (Pakistan) Limited - Loan 1	- note 8.2.1	–	166,667
Standard Chartered Bank (Pakistan) Limited - Loan 2	- note 8.2.2	333,332	500,000
Faysal Bank Limited	- note 8.2.3	250,000	416,667
Pakistan Kuwait Investment Company (Private) Limited	- note 8.2.4	62,500	187,500
PAIR Investment Company Limited	- note 8.2.5	285,714	428,571
Soneri Bank Limited	- note 8.2.6	133,333	266,666
Allied Bank Limited	- note 8.2.7	1,977,282	–
Meezan Bank Limited	- note 8.2.8	71,214	142,428
		3,113,375	2,108,499
Current portion shown under current liabilities		(1,143,236)	(972,404)
		1,970,139	1,136,095

8.2.1 This has been repaid during the year. The mark up rate charged during the year on the outstanding balance ranges from 9.21% to 11.59% per annum.

8.2.2 This represents term loan facility for balance sheet restructuring. It is repayable in four semi-annual installments of Rs 83.333 million each ending on December 31, 2017. Mark up is payable monthly at the rate of three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 1.50% per annum. The mark up rate charged during the year on the outstanding balance ranges from 8.07% to 11.13% per annum. The loan is secured by first pari passu charge over the present and future current assets of the fertilizer operations.

8.2.3 This represents a term finance facility obtained to finance the group's capital expenditure requirements. It is repayable in three semi-annual installments of Rs 83.333 million each ending on June 14, 2017 and carries mark up at the rate of six months KIBOR plus 1.70% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 8.22% to 11.37% per annum. It is secured by a pari passu charge on all present and future fixed assets excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the Bombardier Challenger aircraft, 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.

8.2.4 This represents term finance facility to finance the group's capacity expansion. It is repayable on June 29, 2016 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 8.76% to 11.09% per annum. It is secured by a first pari passu charge on all present and future fixed assets excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the assets comprising of the CDM project, the complete carbon dioxide recovery plant/liquefaction plant along with carbon dioxide static storage tank, tools and its spares, tools and accessories.

8.2.5 This represents term finance facility for balance sheet restructuring and group's capital expenditure requirements. It is repayable in four semi-annual installments of Rs 71.429 million each ending on August 27, 2017 and carries mark up at the rate of six months KIBOR plus 2.25% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 9.32% to 12.44% per annum. It is secured by a first pari passu charge on the present and future fixed assets of fertilizer operations.

8.2.6 This represents term finance facility to meet the group's capital expenditure/repayment of expensive debt. It is repayable in two semi-annual installments of Rs 66.667 million each ending November 2, 2016 and carries mark up at the rate of six months KIBOR plus 1.75% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 8.22% to 11.91% per annum. It is secured by a first pari passu charge on the present and future fixed assets of fertilizer operations including land and building and machinery excluding the assets comprising of Ammonia Converter Basket, the Lamont Boiler for Nitric Acid, the assets comprising of the 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.

8.2.7 This represents term finance facility to meet group's repayment of import bill payable. It is repayable in ten semi-annual installments of Rs 200 million each commencing from May 24, 2016 and carries mark up at the rate of six months KIBOR plus 2% per annum, payable semi-annualy. The mark up rate charged during the year on the outstanding balance is 8.52% per annum. It is secured by a first pari passu charge over all present and future plant and machinery fertilizer operations excluding assets comprising of Ammonia Converter Basket, the Lamont boiler for Nitric Acid, the assets comprising of the CDM project, the complete carbon dioxide recovery plant/ liquefaction plant along with carbon dioxide static storage tank and an exclusive charge over the Bombardier Challenger aircraft. The reconciliation of the carrying amount of loan is as follows:

		2015	2014
		(Rupees in thousand)	
Receipt		2,000,000	–
Initial transaction cost		(23,200)	–
		1,976,800	–
Amortization of initial transaction cost	- note 34	482	–
		1,977,282	–
Current maturity		(400,000)	–
		1,577,764	–

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8.2.8 This represents diminishing musharika facility of Rs 250 million for financing the purchase of both local and imported plant and machinery. As of December 31, 2015, the principal is repayable in four quarterly installments of Rs 17.804 million each ending on December 15, 2016 and carries mark up at the rate of six months KIBOR plus 1.6% per annum with a floor of 8% and a cap of 25%. The mark up rate charged during the year on the outstanding balance ranges from 6.52% to 9.66% per annum. The facility is secured by a registered mortgage of Rs 100 million over the building/superstructure on the sacks operation's lease-hold land, an exclusive hypothecation charge on plant and machinery, a guarantee from the group and undertaking from the related party (associated company), Fatima Fertilizer Company Limited ('FATIMA'), not to mortgage unencumbered land on which the sacks operation's project has been built.

		2015	2014
		(Rupees in thousand)	
9. Long term loans from related parties - unsecured			
These have been obtained from the following related parties:			
Fatima Holdings Limited (associated company)		–	442,287
Reliance Commodities (Private) Limited (associated company)		877,982	34,292
Member and Chairman's spouse		371,491	313,032
Chairman's children		116,914	–
Directors		866,565	36,357
	- note 9.1	2,232,952	825,968

9.1 This is repayable in a period of two years commencing from January 1, 2017 on terms that are to be mutually agreed between the parties. Mark up is payable semi-annually at a rate of six months KIBOR plus 1.5% per annum. The mark up rate charged during the year on the outstanding balance ranges from 7.98% to 8.51% per annum.

10. Import bill payable - secured

This has been paid during the year through proceeds of loan acquired from Allied Bank Limited as referred to in note 8.2.7 to these financial statements.

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 group respectively.

		2015	2014
		(Rupees in thousand)	
12. Deferred liabilities			
Accumulating compensated absences	- note 12.1	97,166	80,812
Retirement benefits - gratuity fund	- note 12.2	35,814	34,977
		132,980	115,789
12.1 Accumulating compensated absences			
Opening balance		80,812	86,320
Charge to profit and loss account	- note 12.1.2	25,038	3,925
		105,850	90,245
Payments made during the year		(8,684)	(9,433)
Liability as at year end		97,166	80,812

	2015	2014
	(Rupees in thousand)	
12.1.1 Movement in liability for accumulating compensated absences		
Opening present value of accumulating compensated absences	80,812	86,320
Current service cost	15,971	11,830
Interest cost	8,029	5,741
Benefits paid during the year	(8,684)	(9,433)
Remeasurement during the year	1,038	(13,646)
Closing present value of accumulating compensated absences	97,166	80,812
12.1.2 Charge for the year		
Current service cost	15,971	11,830
Interest cost	8,029	5,741
Remeasurement during the year	1,038	(13,646)
Expense charged to the profit and loss account	25,038	3,925

Amounts for current period and previous four annual periods of accumulating compensated absences are as follows:

	2015	2014	2013	2012	2011
As at December 31			(Rupees in thousand)		
Present value of accumulating compensated absences	97,166	80,812	86,320	84,150	66,001
Experience adjustment arising on obligation	1,038	(13,646)	–	–	–

The average number of leaves accumulated per annum is ten days for executives and five days for workers and other staff.

	2015	2014
	(Rupees in thousand)	
12.2 Gratuity fund		
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	171,990	149,293
Fair value of plan assets	(136,176)	(114,316)
Liability as at year end	35,814	34,977
Opening net liability	34,977	40,152
Charge to profit and loss account	24,630	24,449
Charge to related party	8,304	9,240
Net remeasurements for the year	2,880	1,290
Contribution by the company	(34,977)	(40,154)
Liability as at year end	35,814	34,977
The movement in the present value of defined benefit obligation is as follows:		
Opening present value of defined benefit obligation	149,293	129,962
Current service cost	31,098	31,179
Interest cost	14,620	14,762
Benefits paid to out-going members during the year	(20,104)	(23,738)
Remeasurements on obligation	(2,917)	(2,872)
Present value of defined benefit obligation as at year end	171,990	149,293

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	2015	2014
	(Rupees in thousand)	
The movement in fair value of plan assets is as follows:		
Opening fair value	114,316	89,810
Expected return on plan assets	12,784	12,252
Company contributions	34,977	40,154
Benefits paid to out-going members during the year	(20,104)	(23,738)
Remeasurements on fair value of plan assets	(5,797)	(4,162)
Fair value as at year end	136,176	114,316
Plan assets are comprised as follows:		
Mixed funds	104,574	76,086
Cash	31,602	38,230
	136,176	114,316

The group is expected to contribute Rs 30.258 million to the gratuity fund in the next year.

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

	2015	2014	2013	2012	2011
			(Rupees in thousand)		
Present value of defined benefit obligation	(171,990)	(149,293)	(129,962)	(115,230)	(88,126)
Fair value of plan assets	136,176	114,316	89,810	82,105	64,824
Loss	(35,814)	(34,977)	(40,152)	(33,125)	(23,302)
Experience adjustment on obligation	-2%	-2%	5%	3%	6%
Experience adjustment on plan assets	-4.26%	-3.64%	-1.44%	-0.95%	0.89%

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%	157,335	189,091
Salary growth rate	1%	189,344	156,856

	2015	2014
	(Rupees in thousand)	
13. Deferred taxation		
Liability/(asset) for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation	8,894,067	10,460,494
Accumulating compensated absences	(29,150)	(28,284)
Provision for doubtful receivable	(2,673)	(3,119)
Post retirement medical benefits and other allowances payable	(3,454)	(4,030)
Interest receivable	6,982	6,752
Unrealised recovery of chemical catalyst	48,820	56,957
Transaction cost on long term loans	6,815	–
Goodwill	991,549	1,092,676
Unused tax losses	(1,455,557)	(1,108,744)
Unused tax credits	(498,030)	(280,497)
	7,959,369	10,192,205

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.

		2015	2014
		(Rupees in thousand)	
The gross movement in deferred tax liability during the year is as follows:			
Opening balance		10,192,205	9,927,247
Deferred tax on revaluation surplus	- note 7	(647,560)	365,882
Credited to profit and loss account	- note 37	(1,585,277)	(100,924)
Closing balance		7,959,369	10,192,205

14. Short term borrowing from related party - secured

As of the balance sheet date, this represents a renewable limit, in the nature of running finance facility, of Rs 3 billion available from FATIMA, a related party (associated company). During the year, this faility was changed from Short Term Loan to a renewable limit, in the nature of running finance facility, after the change in terms of the loan were approved by the members of FATIMA in their Annual General Meeting held on April 30, 2015. Mark up is payable quarterly at the rate of six months KIBOR plus 2.12%. The rate of mark up charged, during the year, ranges from 8.63% to 11.75% per annum. This facility is fully secured against ranking charge on all present and future fixed assets of the fertilizer operations. As per the terms, the facility was repayable by December 31, 2015.

However, in December 2015, the group sent a communication to FATIMA, requesting it to renew the facility for a further period of one year on the same terms and conditions as already agreed between the group and FATIMA.

Based on the communication from the group, considering it a viable investment, the Board of Directors of FATIMA, in its meeting held on December 29, 2015, agreed to renew this facility for a further period of one year that will be presented for members' approval in the upcoming Annual General Meeting of FATIMA.

		2015	2014
		(Rupees in thousand)	
15. Short term borrowings - secured			
Running finances	- note 15.1	10,501,915	3,092,378
Term finances	- note 15.2	4,949,638	1,828,535
		15,451,553	4,920,913

15.1 Running finances

Short term running finance facilities available from commercial banks under mark up arrangements amount to Rs 13,559 million (2014: Rs 4,524 million). The rates of mark up range from 7.26% to 12.40% on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade as referred to in note 26.1 and registered hypothecation charge on current assets of the group and fixed assets of the fertilizer operations including the Lamont Boiler, Ammonia Converter Basket, assets comprising CDM project and complete carbon dioxide recovery plant of the fertilizer operations. Included in the above is a running finance of Rs 385.504 million (2014: Rs 376.199 million) [available limit: Rs 400 million (2014: Rs 400 million)] from Summit Bank Limited, a related party (associated company).

15.2 Term finances

Term finance facilities available from various commercial banks under profit arrangements amount to Rs 6,504 million (2014: Rs 2,590 million). The rates of profit range from 7.39% to 12.13% on the outstanding balance or part thereof. The aggregate term finances are secured against first pari passu charge over all current and fixed assets of the fertilizer operations including the Lamont Boiler, Ammonia Converter Basket, assets comprising CDM project and complete carbon dioxide recovery plant of the fertilizer operations and pledge of raw materials, stock-in-trade, hypothecation charge on all current assets of the sacks operations.

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15.3 Letters of credit and guarantees

Of the aggregate facility of Rs 5,405 million (2014: Rs 5,417 million) for opening letters of credit and Rs 288 million (2014: Rs 88 million) for guarantees, the amount utilised at December 31, 2015 was Rs 2,240 million (2014: 1,426 million) and Rs 17 million (2014: 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 registered joint pari passu charge over current assets.

16. Payable to Privatization Commission of Pakistan

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.

		2015	2014
		(Rupees in thousand)	
17. Trade and other payables			
Trade creditors		2,785,913	3,720,662
Sui gas bill payable	- note 17.1	–	6,147
Security deposits		32,105	16,652
Accrued liabilities	- notes 17.2 & 17.3	2,400,261	1,587,607
Workers' profit participation fund	- note 17.4	731,012	711,097
Workers' welfare fund		273,040	247,374
Customers' balances		186,333	1,249,938
Bank guarantees discounted		1,987,767	76,100
Due to related party		–	16,838
Due to employees' provident fund trust		1,312	177
Withholding tax payable		61,540	11,193
Excise duty payable		1,724	1,724
Sales tax payable		–	17,081
Electricity duty payable		30,171	22,558
Retention money		245	342
Due to employees		60	49
		8,491,483	7,685,539

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

17.2 Accrued liabilities include Rs 1,071 million (2014: Rs 1,061 million) on account of Gas Infrastructure Development Cess ('GIDC'). During the year, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The group has challenged the validity and promulgation of GIDC Act, 2015 before the Honorable Sindh High Court, wherein the Court passed interim orders, thereby restraining SNGPL from charging or recovering GIDC.

17.3 Includes bonus of Rs 7.5 million (2014: Rs 7.5 million) payable to the directors.

		2015	2014
		(Rupees in thousand)	
17.4 Workers' profit participation fund			
Opening balance		711,097	730,152
Provision for the year	- note 35	67,543	8,763
Interest for the year	- note 34	695	186
		779,335	739,101
Payments made during the year		(48,323)	(28,004)
Closing balance		731,012	711,097

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.

		2015	2014
		(Rupees in thousand)	
18. Accrued finance cost			
Accrued mark up on:			
- long term loans - secured		38,593	27,519
- long term loans from related parties - unsecured	- note 18.1	97,712	–
- short term borrowing from related party - secured	- note 18.2	97,701	176,641
- short term borrowings - secured	- note 18.3	221,338	122,769
		455,344	326,929
18.1 This amount is payable to the following related parties:			
Reliance Commodities (Private) Limited (associated company)		39,152	–
Member and Chairman's spouse		16,015	–
Chairman's children		5,067	–
Directors		37,478	–
		97,712	–

18.2 This amount is payable to FATIMA, a related party (associated company).

18.3 Includes an amount of Rs 8.314 million (2014: Rs 11.574 million) payable to Summit Bank Limited, a related party (associated company).

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19. Contingencies and commitments

19.1 Contingencies

(i) The group 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 group's contention relating to possible double payment is not acceded to by the other party to the Share Purchase Agreement, the group 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.

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

- SNGPL against gas sale amounting to Rs 10 million (2014: Rs 10 million).

- Pakistan State Oil Company Limited ('PSO') against fuel for aircraft amounting to Rs 7 million (2014: Rs 7 million).

- Meezan Bank Limited as security against finance obtained by its sacks operations.

(iii) 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.

(iv) 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 operationss 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.

(v) 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 was 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, the group was legally required to recover output sales tax on supplies of CAN on the basis of actual consideration received there against. The group had already approached the Federal Board of Revenue ('FBR') on the issue for condonation in terms of section 65 of the Sales Tax Act, 1990, which was not entertained. The group has assailed such order through institution of a writ petition before High Court on the grounds that relevant powers have been exercised in an arbitrary manner without referring the matter to competent authority as required under the law. While such constitutional petition has not yet been disposed, since management considers that group's stance is based on meritorious grounds and hence relief would be secured from the Court, no provision on this account has been made in these financial statements.

(vi) 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.

(vii) Included in trade debts is an amount of Rs 18.877 million (2014: 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 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.

(viii) During the year, through a show cause notice, the department raised the issue of non-payment of output sales tax on stock of fertilizer product transferred to various warehouses of the group involving a principal sales tax demand of Rs 909.125 million (not including default surcharge which will be calculated at the time of deposit) alongwith a penalty equal to 100% of the principal sales tax demand. Such issue was raised on the grounds that the above mentioned transfers are sales under section 2(44) of the Sales Tax Act, 1990, and hence, the same have been made without payment of sales tax. The management has assailed the subject order in usual appellate course before Commissioner Inland Revenue (Appeals) ['CIR(A)'] which is pending adjudication. Furthermore, a restraint order dated November 23, 2015 was passed by the Lahore High Court staying the recovery of this demand from the group. Management considers that there are strong grounds to support the group's stance and is hopeful of a favorable decision. Consequently, no provision has been made in these financial statements for the above mentioned amount.

(ix) On July 5, 2006, Pakistan National Shipping Corporation ('PNSC') filed a recovery suit for USD 1.5 million against the group before the Civil Court, Lahore claiming that it had suffered losses as the group unilaterally terminated the Charter Party Agreement ('CPA') between the PNSC and the group. As per the terms of the CPA, PNSC was to transport 300,000 metric tons of rock phosphate for the group between February 1, 2005 to May 31, 2006 at a rate of USD 41 per metric ton from Casablanca port to Karachi port. However, PNSC claimed that the group had unilaterally terminated CPA after the privatization of the parent company in 2005. The group also filed a counter suit against PNSC claiming that it had violated the terms of the CPA by diverting ships carrying group's cargo to other ports causing the group's cargo to arrive later than expected resulting in loss to the group. The Court referred the matter to the arbitrator who through its award dated April 22, 2010 decided the matter in PNSC's favour and confirming its claim at USD 1.3 million and mark up at the rate of 14% to be calculated from the date of award till the time of deposit. The group being aggrieved has filed an application against the award of arbitrator before the Civil Court, Lahore which is pending adjudication. Based on the advice of the group's legal counsel, the management considers that group's stance is based on meritorious grounds and hence relief would be secured from the Court, no provision on this account has been made in these financial statements.

(x) During the year, the group purchased Liquefied Natural Gas ('LNG') from Pakistan State Oil Company Limited ('PSO') under the various directives of Ministry of Petroleum and Natural Resources ('MP&NR'), Government of Pakistan. Included in the cost booked during the year relating to LNG are provisional charges of Sui Southern Gas Company Limited ('SSGC') and Sui Northern Gas Pipelines Limited ('SNGPL') (hereinafter collectively referred to as the 'Gas Companies') that are based on the above mentioned Government directives and determination of Oil and Gas Regulatory Authority ('OGRA') for other consumers through its decision dated March 18, 2016. Based on the advice of the group's legal counsel, management strongly believes that the amounts claimed by the Gas Companies from the group would eventually be in line with the above basis. Consequently, no provision has been made in these financial statements for the differential amount of Rs 448.950 million based on the advice of the group's legal counsel that there are meritorious grounds to follow the above basis.

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19.2 Commitments in respect of

(i) Letters of credit other than for capital expenditure Rs 98.022 million (2014: Rs 107.317 million).

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

	2015	2014
	(Rupees in thousand)	
Not later than one year	61,932	42,265
Later than one year and not later than five years	122,178	34,108
	184,110	76,373

		2015	2014
20. Property, plant and equipment			
Operating fixed assets	- note 20.1	39,538,136	40,233,289
Capital work-in-progress	- note 20.2	30,567	38,477
Capital stores and stand-by equipment	- note 20.3	55,764	74,421
		39,624,467	40,346,187

20.1 Operating fixed assets

(Rupees in thousand)

	Freehold land	Buildings on freehold land	Buildings on leasehold	Railway siding	Plant and machinery	Aircrafts	Furniture and fixtures	Tools and other equipment	Vehicles	Catalyst	Total
COST											
Balance as at January 01, 2014	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
Additions during the year	-	4,853	33,555	-	33,590	7,372	907	8,394	6	-	88,677
Revaluation	2,009,966	45,022	-	1,000	996,197	-	-	3,110	-	-	3,055,295
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	161,879	-	161,879
Disposals during the year	-	-	-	-	-	(505,796)	-	(127)	(57,690)	-	(563,613)
Adjustments during the year	-	-	(2,345)	-	-	-	-	-	-	-	(2,345)
against cost on revaluation	-	(313,061)	-	(28,800)	(1,053,736)	-	(23,957)	(179,094)	-	-	(1,598,648)
Balance as at December 31, 2014	6,777,600	1,794,078	164,022	9,000	28,931,877	2,284,785	50,262	555,012	316,601	217,312	41,100,549
Balance as at January 01, 2015	6,777,600	1,794,078	164,022	9,000	28,931,877	2,284,785	50,262	555,012	316,601	217,312	41,100,549
Additions during the year	-	6,960	22,828	-	1,440	-	678	28,017	207	19,658	79,788
Disposals during the year	-	-	-	-	-	-	-	(19,138)	(59,887)	-	(79,025)
Balance as at December 31, 2015	6,777,600	1,801,038	186,850	9,000	28,933,317	2,284,785	50,940	563,890	256,921	236,970	41,101,311
DEPRECIATION											
Balance as at January 01, 2014	-	242,137	5,064	22,401	1,009,317	768,557	18,654	149,220	191,508	74,694	2,481,552
Charge for the year - note 20.1.3	-	107,401	5,588	9,475	93,617	111,620	8,618	50,580	12,091	2,483	401,473
Transfers in from assets subject to finance lease	-	-	-	-	-	-	-	-	140,676	-	140,676
Charge on disposals	-	-	-	-	-	(505,796)	-	(89)	(51,908)	-	(557,793)
Elimination of accumulated depreciation											
against cost on revaluation	-	(313,061)	-	(28,800)	(1,053,736)	-	(23,957)	(179,094)	-	-	(1,598,648)
Balance as at December 31, 2014	-	36,477	10,652	3,076	49,198	374,381	3,315	20,617	292,367	77,177	867,260
Balance as at January 01, 2015	-	36,477	10,652	3,076	49,198	374,381	3,315	20,617	292,367	77,177	867,260
Charge for the year - note 21.1.3	-	109,518	8,984	5,924	427,317	112,480	8,513	49,872	16,917	14,387	753,912
Charge on disposals	-	-	-	-	-	-	-	(688)	(57,310)	-	(57,998)
Balance as at December 31, 2015	-	145,995	19,636	9,000	476,515	486,861	11,828	69,801	251,974	91,564	1,563,174
Book value as at December 31, 2014	6,777,600	1,757,601	153,370	5,924	28,882,679	1,910,404	46,947	534,395	24,234	140,135	40,233,289
Book value as at December 31, 2015	6,777,600	1,655,043	167,214	-	28,456,801	1,797,924	39,112	494,089	4,947	145,406	39,538,136

20.1.1 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 August 31, 2014. 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:

	2015	2014
	(Rupees in thousand)	
Freehold land	911,940	911,940
Buildings on freehold land	1,252,700	1,336,110
Plant and machinery	15,896,051	16,185,267
Tools and other equipment	334,285	322,717
	18,394,976	18,756,034

20.1.2 Included in plant and machinery are assets having carrying amount of Rs 47.989 million that are installed at the manufacturing facilities of the group's customers namely Iceberg Gas Company, Coca-Cola Beverages Pakistan Limited and Pepsi Coala International (Private) Limited as these assets are used for sales to these customers.

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

		2015	2014
		(Rupees in thousand)	
Cost of sales	- note 31	549,012	202,204
Administrative expenses	- note 32	195,203	194,635
Selling and distribution expenses	- note 33	9,697	4,634
		753,912	401,473

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20.1.4 Disposal of operating fixed assets

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		2015 (Rupees in thousand)				
Vehicles	**Ex - employees**					
	Sagheer Ahmaed	899	764	135	131	As per Company Policy
	Syed Bilal Hassan	903	768	135	184	- do -
	Adnan Ashraf	530	432	98	117	- do -
	Muhammad Kamran	914	777	137	160	- do -
	Sajid Farid	881	837	44	9	- do -
	Qaiser Abbas Khan	914	807	107	117	- do -
	Hafiz Atta-ur-Mustafa	716	633	83	307	- do -
	Bilal Butt	1,256	1,256	–	–	- do -
	Adnan Kashif Umar	934	840	94	123	- do -
	Abdul Ghaffar	898	868	30	5	- do -
	Abdul Khalique Shaukat	934	871	63	123	- do -
	Babar Jamil	934	871	63	79	- do -
	Shahid Munir	942	942	–	87	- do -
	Sadia Sharif	552	506	46	219	- do -
	Tahir Masud	1,145	1,145	–	–	- do -
	Employees					
	Arif Hameed Dar (Chief Financial Officer)	1,913	1,817	96	13	- do -
	Muhammad Tahir Sherazi	1,477	1,231	246	290	- do -
	M. Qadeer Ali	949	838	111	214	- do -
	Mumtaz Ali Nasir	1,125	1,125	–	18	- do -
	Mohsan Raza Haider Hashmi	825	825	–	7	- do -
	Syed Saeed Hasan Shah	1,125	1,125	–	12	- do -
	Tayyab Amin Malik	1,297	1,297	–	12	- do -
	Muhammad Abid Saeed	1,297	1,297	–	–	- do -
	Iqbal Awan	1,125	1,125	–	–	- do -
	Anwar Hussain	655	655	–	126	- do -
	Ch. M. Munir Ahmad	1,297	1,297	–	–	- do -
	M Arshad Ashraf	825	825	–	7	- do -
	Farrukh Nadeem Abid	1,297	1,297	–	–	- do -
	Muhammad Jamil	876	861	15	184	- do -
	M. Aqeel	832	832	–	–	- do -
	Muhammad Zahir (Director Marketing)	1,940	1,908	32	–	- do -
	Iftikhar Mahmood Baig (Director Business Development)	1,958	1,893	65	–	- do -
	Mati-ur-Rab Siddiqui	1,481	1,481	–	–	- do -
	M. Abad Khan (Advisor to Chief Executive Officer)	1,937	1,937	–	–	- do -
	C/F	**37,584**	**35,983**	**1,600**	**2,544**	

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		2015 (Rupees in thousand)				
	B/F	**37,584**	**35,983**	**1,600**	**2,544**	
	Asad Ahmad Jan	1,481	1,432	49	–	As per Company Policy
	Haq Nawaz	876	876	–	13	- do -
	Yousaf Imran Khan	893	849	44	18	- do -
	Ghulam Rasool	927	866	61	128	- do -
	M. Imran Hussain	893	878	15	–	- do -
	Muhammad Yasin	899	899	–	16	- do -
	Afzal Hussain	899	899	–	7	- do -
	Mahmud Shah	1,348	1,348	–	13	- do -
	Danish Aman Mirza	893	893	–	7	- do -
	Abdul Nasir	1,414	1,414	–	–	- do -
	Ausaf A. Qureshi (Company Secretary)	1,886	1,886	–	–	- do -
	Naseerullah Khan	1,297	1,297	–	11	- do -
	Iftikhar Ahmed Malik	1,138	1,138	–	10	- do -
	Employees of associated company and related party (FATIMA)					
	Abdul Ghani	1,478	1,256	222	188	- do -
	M. Tariq Javed	1,858	1,517	341	733	- do -
	Shakeel Ahmad	572	458	114	–	- do -
	Muhammad Amjad	864	864	–	180	- do -
	Outside Party					
	Mrs. Zahia Shafqat	1,975	1,843	132	1,215	Auction
	Amin Hafeez	715	715	–	525	Auction
Tools and other equipment						
	First Habib Modaraba	18,376	–	18,376	20,604	Transfer agreement
Other assets with book value less than Rs 50,000		763	689	73	394	
		79,028	**57,998**	**21,027**	**26,606**	

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Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		2014 (Rupees in thousand)				
Vehicles	**Ex - employees**					
	Muhammad Saddique Akbar	930	744	186	575	As per company policy
	Babar Shahid	899	749	150	298	- do -
	Adnan Anjum	1,313	1,116	197	893	- do -
	Ghultam Raza Jallaalani	1,483	1,360	123	455	- do -
	C/F	**4,625**	**3,969**	**656**	**2,221**	

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		2014 (Rupees in thousand)				
	B/F	**4,625**	**3,969**	**656**	**2,221**	
	Muhammad Musharaf Khan	1,702	1,475	227	495	As per company policy
	Mohsin Aziz Syed	899	749	150	211	- do -
	Asad Murad	2,078	1,593	485	425	- do -
	Asif Sirhindi	1,918	1,822	96	27	- do -
	Employees					
	M. Amir Shahzad	708	614	94	301	- do -
	Muneeb Hussain	716	620	96	306	- do -
	M. Faraz Arshad	899	779	120	496	- do -
	Hafiz Atta-Ur-Rehman	737	638	99	332	- do -
	Employees of associated company and related party (FATIMA)					
	Rafaqat Ali	871	813	58	464	- do -
	Ghulam Abbas	864	807	57	461	- do -
	Muhammad Mazhar Hussain	864	807	57	460	- do -
	Naveed Bashir	1,283	1,176	107	888	- do -
	Javed Iqbal	1,922	1,794	128	744	- do -
	Jaffar Nazir	554	498	56	147	- do -
	Abdul Ghaffar	714	619	95	303	- do -
	Zarrin Alam	547	465	82	138	- do -
	Muhammad Sarfraz	708	602	106	303	- do -
	Sohail Ahmed	737	651	86	335	- do -
	Imran Khalid	554	498	56	149	- do -
	Muhammad Imtiaz	708	637	71	308	- do -
	M. Umar Ch	883	795	88	487	- do -
	Zaheer Abbas	951	840	111	332	- do -
	Syed Usman Khalid	737	639	98	339	- do -
	Muhammad Nasir	1,473	1,228	245	388	- do -
	Lt. Col (R) Sarfaraz Khan	881	778	103	178	- do -
	Usman Sohail	729	595	134	329	- do -
	Muhammad Amin	1,388	1,110	278	284	- do -
	Muhammad Asif	1,391	1,113	278	989	- do -
	Kashif Mustafa Khan	1,476	1,230	246	308	- do -
	M. Atique-Ur-Rehman	929	728	201	322	- do -
	Tofique Ahmed	1,541	1,233	308	434	- do -
	Outside Party					
	Mian Noor Hayat	1,478	1,232	246	1,200	Auction
Other assets with book value less than Rs 50,000		**525,150**	**524,646**	**504**	**357,951**	
		563,615	**557,793**	**5,822**	**373,055**	

20.1.5 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is determined on the basis of objective evidence at each reporting date.

The tables below analyze the non-financial assets carried at fair value as at December 31, 2015 and December 31, 2014.

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 group's non-financial assets that are measured at fair value at December 31, 2015.

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Recurring fair value measurements of certain items of operating fixed assets				
Freehold land	–	6,777,600	–	6,777,600
Buildings on freehold land	–	–	1,655,043	1,655,043
Railway siding	–	–	–	–
Plant and machinery	–	–	28,456,802	28,456,802
Tools and equipment	–	–	494,089	494,089
	–	6,777,600	30,605,934	37,383,534

The following table presents the group's non-financial assets that are measured at fair value at December 31, 2014.

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Recurring fair value measurements of certain items of operating fixed assets				
Freehold land	–	6,777,600	–	6,777,600
Buildings on freehold land	–	–	1,757,601	1,757,601
Railway siding	–	–	5,924	5,924
Plant and machinery	–	–	28,882,679	28,882,679
Tools and equipment	–	–	534,395	534,395
	–	6,777,600	31,180,599	37,958,199

Movements of the above mentioned assets and surplus on revaluation of these assets have been disclosed in note 20.1 and note 7 respectively to these financial statements. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years.

Valuation techniques used to determine level 2 and level 3 fair values

The group obtains independent valuations for its freehold land, building on freehold land, railway siding, plant and machinery, and tools and equipments (classified as property, plant and equipment) at least every three years. At the end of each reporting period, the management updates its assessment of the fair value of each asset mentioned above, taking into account the most recent independent valuation. The management determines an asset's value within a range of reasonable fair value estimates. Level 2 fair value of freehold land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per square foot. Level 3 fair value of building on freehold land has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value. Level 3 fair value of railway siding, plant and machinery, and tools and equipments have been determined using a depreciated replacement cost approach, whereby, the current replacement cost of railway siding, plant and machinery, and tools and equipments of similar make / origin, capacity and level of technology has been adjusted using a suitable depreciation rate on account of normal wear and tear.

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Valuation inputs and relationship to fair value

The following table summarises the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See paragraph above for the valuation techniques adopted.

Description	2015	2014	Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
Buildings on freehold land	1,655,043	1,757,601	Cost of construction of a new similar building.	The market value has been determined by using a depreciation factor of approximately 10%-15% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.
Railway siding	–	5,924	Cost of acquisition of similar railway siding with similar level of technology. Suitable depreciation rate to arrive at depreciated replacement value.	The market value has been determined by using cost of acquisition of similar railway siding with similar level of technology and applying a suitable depreciation factor based on remaining useful life of railway siding. Remaining useful life has been estimated to be nil. The higher the cost of acquisition of similar railway siding, higher the fair value of railway siding. Further, higher the depreciation rate, the lower the fair value of railway siding.
Plant and machinery	28,456,802	28,882,679	Cost of acquisition of similar plant and machinery with similar level of technology. Suitable depreciation rate to arrive at depreciated replacement value.	The market value has been determined by using cost of acquisition of similar plant and machinery with similar level of echnology and applying a suitablet depreciation factor based on remaining useful lives of plant and machinery. Remaining useful lives have been estimated from 20 to 25 years. The higher the cost of acquisition of similar plant and machinery, higher the fair value of plant and machinery. Further, higher the depreciation rate, the lower the fair value of plant and machinery.
Tools and other equipment	494,089	534,395	Cost of acquisition of similar tools and equipment with similar level of technology. Suitable depreciation rate to arrive at depreciated replacement value.	The market value has been determined by using cost of acquisition of similar tools and equipment with similar level of technology and applying a suitable depreciation factor based on remaining useful lives of tools and equipment. Remaining useful lives have been estimated from 4 to 25 years. The higher the cost of acquisition of similar tools and equipment, higher the fair value of tools and equipment. Further, higher the depreciation rate, the lower the fair value of tools and equipment.

			2015	2014
			(Rupees in thousand)	
20.2	**Capital work-in-progress**			
	Civil works	- note 20.2.1	16,192	14,334
	Plant and machinery		9,468	9,320
	Advances - considered good			
	- against purchase of plant and machinery		1,825	2,010
	- to contractor		175	1,174
	- to suppliers		2,559	10,508
	Intangible asset under development - computer software		348	348
	Others		–	783
			30,567	38,477
20.2.1	The reconciliation of the carrying amount is as follows:			
	Opening balance		38,477	77,271
	Additions during the year		33,603	64,088
			72,080	141,359
	Adjustments during the year		–	(632)
	Transfers during the year		(41,513)	(102,250)
	Closing balance		30,567	38,477

			2015	2014
			(Rupees in thousand)	
20.3	**Capital stores and stand-by equipment**			
	Opening balance		74,421	–
	Additions during the year		19,378	74,421
			93,799	74,421
	Transfers during the year		(38,035)	–
	Closing balance		55,764	74,421
21.	**Assets subject to finance lease**			
	These represent vehicles leased by the group.			
	COST			
	Opening balance		–	161,879
	Transfer to operating fixed assets during the year		–	(161,879)
	Closing balance		–	–
	DEPRECIATION			
	Opening balance		–	111,248
	Charge for the year	- note 21.1	–	29,428
	Transfer to operating fixed assets during the year		–	(140,676)
	Closing balance		–	–
	Closing book value		–	–
	Annual depreciation rate %		–	20
21.1	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	- note 31	–	4,540
	Administrative expenses	- note 32	–	13,840
	Selling and distribution expenses	- note 33	–	11,048
			–	29,428

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		Computer software	Mining rights	Total
		(Rupees in thousand)		
22. Intangible assets				
COST				
Balance as at January 01, 2014		33,586	210,000	243,586
Additions during the year		10,654	–	10,654
Balance as at December 31, 2014		44,240	210,000	254,240
Balance as at January 01, 2015		44,240	210,000	254,240
Additions during the year		607	–	607
Balance as at December 31, 2015		44,847	210,000	254,847
AMORTIZATION				
Balance as at January 01, 2014		8,179	91,000	99,179
Charge for the year	- note 22.2	8,662	21,000	29,662
Balance as at December 31, 2014		16,841	112,000	128,841
Balance as at January 01, 2015		16,841	112,000	128,841
Charge for the year	- note 22.2	10,717	21,000	31,717
Balance as at December 31, 2015		27,558	133,000	160,558
Book value as at December 31, 2014		27,399	98,000	125,399
Book value as at December 31, 2015		17,289	77,000	94,289
Annual amortization rate %		25	10	

22.1 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 (associated company), which provides rock phosphate extraction services to the group as per the Services Agreement.

		2015	2014
		(Rupees in thousand)	
22.2 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 32	10,717	8,662
		31,717	29,662

23. Goodwill

This represents goodwill on amalgamation as referred to in note 16 to these financial statements.

Impairment testing of goodwill has been carried out by allocating the amount of goodwill to respective assets on which it arose. 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 that have been discounted using a discount rate of 14.21%. The cash flows beyond the five-year period are extrapolated using an estimated growth rate of 4% which is consistent with the long-term average growth rate for the fertilizer industry. The recoverable amount calculated based on value in use exceeded carrying value by Rs 23,841 million. A long term/terminal growth rate of -5.50% or a rise in discount rate to 21.13% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

The above cash flow projections are principally based on the assumption that gas supply would continue to the group. During the previous three years, the fertilizer operations has faced gas shortages that resulted in losses. However, during the current year, the group started purchasing Regasified Liquefied Natural Gas ('RLNG') from PSO due to which its plant operated for 273 days resulting in profit for the current year. PSO had imported such Liquefied Natural Gas ('LNG') from Qatargas. Management's assumption of continuity in gas supply to the fertilizer operations' plant is based on the long term agreement for import of LNG signed between the Government of Pakistan and Qatargas.

		2015	2014
		(Rupees in thousand)	
24. Long term investments			
Held to maturity (not due to mature within next twelve months):			
- Other	- note 24.1	43,278	38,589
Associate - unquoted:			
Multan Real Estate Company (Private) Limited 642,321 (2014: 642,321) fully paid ordinary shares of Rs 100 each			
Equity held 29.55% (2014: 29.55%)			
Book value per share Rs 100.04 (2014: Rs 99.8)	- note 24.2	64,232	64,232
		107,510	102,821

24.1 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.

24.2 Associate - unquoted

This represents investment in the ordinary shares of Multan Real Estate Company (Private) Limited ('MREC'). The main business of MREC is establishing and designing housing and commercial schemes, to carry on business of civil engineers for construction of private and governmental buildings and infrastructure and provision of labor and building material

The investment is measured at cost as the associate has not yet started its commercial operations and the break up value for the purposes of equity method is not significantly different from cost.

The group's share of the result of its associate, which is incorporated in Pakistan, and its share of the assets, liabilities and revenue based on un-audited financial statements as at December 31, 2015 is as follows:

Name	Percentage interest held	Assets	Liabilities	Revenue	Loss
		(Rupees in thousand)			
Multan Real Estate Company (Private) Limited	29.55%	217,542	105	–	154

		2015	2014
		(Rupees in thousand)	
25. Stores and spare parts			
Chemicals and catalysts	- note 25.1	857,570	898,595
Stores		114,625	121,376
Spare parts [including in transit Rs 37.598 million (2014: Rs 23.112 million)]		1,677,407	1,694,948
		2,649,602	2,714,919
Provision for obsolete items		(76,224)	(76,224)
		2,573,378	2,638,695

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25.1 Included in chemicals and catalysts is platinum, rhodium and palladium of Rs 80.327 million (2014: Rs 57.042 million) held by Johnson Matthey Public Limited Company, United Kingdom on behalf of the group for refining purposes.

		2015	2014
		(Rupees in thousand)	
26. Stock-in-trade			
Raw materials [including in transit of Rs 24.197 million (2014: Rs 16.972 million)]	- note 26.2	753,458	557,403
Packing materials		34,895	32,335
Mid products		154,189	19,709
Work-in-process		25,664	34,023
Finished goods:			
- Own manufactured:			
Fertilizers	- note 26.3	4,733,699	8,909
Emission reductions	- note 26.4	–	317
Polypropylene sacks and cloth		3,930	4,851
		4,737,629	14,077
- Fertilizer purchased for resale		2,193,497	336,387
		7,899,332	993,934

26.1 Raw materials and finished goods amounting to Rs 4,521.267 million (2014: Rs 423.610 million) are pledged with lenders as security against short term borrowings as referred to in note 15.1.

26.2 Includes rock phosphate amounting to Rs 64.396 million (2014: Rs 52.546 million) which is in the possession of PMCL (related party - associated company). The rock phosphate in possession of PMCL is due to the reason explained in note 22.1 to these financial statements.

26.3 Includes group's fertilizer product, Nitro Phosphate ('NP'), amounting to Rs 5.748 million (2014: Nil) which is in possession of FATIMA, a related party (associated company), for storage purpose as it shares storage space in certain areas.

26.4 This represents emission reductions costing Rs 37.137 million (2014: Rs 37.137 million) carried at their Net Realizable Value ('NRV') amounting to Nil (2014: Rs 0.317 million). The NRV write down expense of Rs 0.317 million (2014: Rs 36.820 million) has been charged to cost of sales.

		2015	2014
		(Rupees in thousand)	
27. Trade debts			
Considered good:			
- Secured (by way of bank guarantees and security deposits)	-note 27.1	2,507,978	85,878
- Unsecured	-note 27.2	285,192	319,820
		2,793,170	405,698

27.1 These are in the normal course of business and certain debts carry interest ranging from 9.02% to 12.52% per annum.

27.2 Include the following amounts due from related parties (associated companies):

	2015	2014
	(Rupees in thousand)	
Fatima Fertilizer Company Limited	64,343	49,278
Fatima Sugar Mills Limited	23,270	22,519
Reliance Weaving Mills Limited	3,262	872
Reliance Commodities (Private) Limited	14,018	30,359
Fazal Cloth Mills Limited	43	957
Fazal Rehman Fabrics Limited	8	8
Fatimafert Limited (previously DH Fertilizers Limited)	466	–
	105,410	103,993
The age analysis of trade debts due from related parties is as follows:		
Neither past due nor impaired	80,396	69,676
Past due but not impaired:		
1 to 30 days	21,701	25,389
31 to 60 days	–	8,920
Above 60 days	3,313	8
	105,410	103,993

		2015	2014
		(Rupees in thousand)	
28. Advances, deposits, prepayments and other receivables			
Advances - considered good:			
- To employees	- note 28.1	11,054	11,753
- To suppliers	- note 28.2	1,716,123	88,953
Trade deposits		–	100
Prepayments		165,948	9,719
Interest receivable on bank deposits		992	1,702
Balances with statutory authorities:			
- Sales tax			
- considered good	- note 28.3	2,216,408	–
- considered doubtful		8,911	8,911
		2,225,319	8,911
- Income tax recoverable		3,861,925	3,133,699
- Custom duty recoverable		9,812	9,812
- Export rebate recoverable		1,663	1,497
Letters of credit - margins, deposits, opening charges etc.		248	–
Security deposits	- note 28.4	23,662	644,134
Receivable from Government of Pakistan	- note 28.5	1,302,429	–
Other receivables - considered good		105,902	83,095
		9,425,077	3,993,375
Provision for doubtful receivable		(8,911)	(8,911)
		9,416,166	3,984,464

28.1 Included in advances to employees are amounts due from executives of Rs 7.503 million (2014: Rs 7.845 million).

28.2 Includes an amount of Rs 26.741 million (2014: Rs 27.684 million) and Rs 5.895 million (2014: Nil) as advances to related parties, PMCL (associated company) and SNGPL (associated company) respectively.

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28.3 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.

28.4 Includes an amount of Nil (2014: Rs 630 million) deposited with Sindh High Court, in respect of suit filed by the group in relation to proposed acquisition of DH Fertilizers Limited ('DHFL', now Fatimafert Limited).

During the year ended December 31, 2012, the group signed a Memorandum of Understanding (MoU) with Dawood Hercules Corporation Limited ('DH Corp') for the purchase of its entire shareholding (100 million ordinary shares of Rs 10 each) in its wholly owned subsidiary, DHFL. However, the Board of Directors of DH Corp in their meeting held on December 10, 2012 decided that it did not intend to pursue the transaction for commercial reasons. Subsequently, the group filed a suit against DH Corp in Sindh High Court (the 'Court') for the enforcement of the said MoU.

During the year, the group and DH Corp reached an out of court settlement for the said suit whereby DH Corp agreed to fulfil its obligation as per the MoU by selling its entire shareholding in DHFL to the group. Consequently, the group filed an application for dismissal of the aforesaid suit which was duly accepted by the Court vide its order dated June 18, 2015 and the complete amount of deposit was refunded to the group. Furthermore, as per the settlement, the group and DH Corp entered into a 'Share Purchase Agreement' for acquisition of entire shareholding of DHFL on June 15, 2015. However, owing to the group's financial position, its Board of Directors assigned the acquisition rights, benefits and obligations under the Share Purchase Agreement to FATIMA, a related party (associated company).

28.5 During the year, the Government of Pakistan notified the payment of subsidy at the rate of Rs 500 per 50 kg bag of Di Ammonium Phosphate ('DAP') and Rs 217 per 50 kg bag of NP sold. The amount of subsidy will be paid to the group upon verification by the Federal Board of Revenue.

		2015	2014
		(Rupees in thousand)	
29. Cash and bank balances			
At banks on:			
- Saving accounts	-notes 29.1 & 29.2	382,090	1,314,132
- Current accounts	-note 29.2	143,758	109,665
		525,848	1,423,797
In hand		4,972	5,165
		530,820	1,428,962

29.1 Profit on balances in saving accounts ranges from 4% to 9% per annum.

29.2 Included in saving accounts is an amount of Rs 217.379 million (2014: Rs 274.314 million) which bears mark up at the rate of 5.75% per annum and included in current accounts is an amount of Rs 7.158 million (2014: Rs 5.473 million), both placed with Summit Bank Limited, a related party (associated company).

		2015	2014
		(Rupees in thousand)	
30. Sales			
Fertilizer products:			
- Own manufactured		16,193,646	5,790,966
- Purchased for resale		6,307,780	10,794,959
		22,501,426	16,585,925
Subsidy from Government of Pakistan	- note 28.5	1,302,429	–
Mid products		542,280	287,264
Rock phosphate		40,107	85,695
		1,884,816	372,959
Sales of fertilizer operations		24,386,242	16,958,884
Polypropylene sacks and cloth	- note 30.1	1,283,617	1,594,130
Export sales		2,177	37,869
Export rebate		232	1,128
Sales of sacks operations		1,286,026	1,633,127
		25,672,268	18,592,011
Less:			
Sales tax		2,266,129	2,748,636
Sales incentive		384,331	187,382
		2,650,460	2,936,018
		23,021,808	15,655,993

	2015	2014
	(Rupees in thousand)	
30.1 Includes sales to the following related parties (associated companies):		
Fatima Fertilizer Company Limited	639,731	785,895
Fatima Sugar Mills Limited	55,401	45,083
Reliance Weaving Mills Limited	4,591	9,461
Reliance Commodities (Private) Limited	18,749	34,846
Fazal Cloth Mills Limited	2,486	2,845
Fazal Rehman Fabrics Limited	–	239
Fatimafert Limited (previously DH Fertilizers Limited)	27,418	–
	748,376	878,369

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		2015	2014
		(Rupees in thousand)	
31. Cost of sales			
Raw material consumed	- note 31.1 & 31.2	12,652,716	2,781,465
Packing material consumed		4,817	4,429
Liners consumed		290,050	273,923
Liner insertion cost		21,747	15,653
		12,969,330	3,075,470
Salaries, wages and other benefits	- note 31.3	703,527	538,324
Fuel and power	- note 31.4	2,461,501	710,373
Chemicals and catalysts consumed		408,497	7,950
Spare parts consumed		151,981	100,621
Stores consumed		55,782	30,775
Travelling and conveyance		2,133	2,143
Telephone, telex and postage		182	199
Stationery, printing and periodicals		336	7
Repairs and maintenance		73,714	141,524
Rent, rates and taxes	- note 31.5	2,587	2,178
Insurance		132,438	158,279
Vehicle running expenses		1,700	1,390
Entertainment		1,870	278
Depreciation on operating fixed assets	- note 20.1.3	549,012	202,204
Depreciation on assets subject to finance lease	- note 21.1	–	4,540
Toll manufacturing charges and freight	- note 31.6	726,671	982,880
Utilities	- note 31.5	81,486	56,421
Fees and subscription		1,475	273
Others	- note 31.7	40,522	29,746
		18,364,744	6,045,575
Opening stock of mid products and work-in-process		53,732	72,006
Closing stock of mid products and work-in-process		(179,853)	(53,732)
		(126,121)	18,274
Cost of goods manufactured		18,238,623	6,063,849
Opening stock of finished goods		14,077	25,133
Closing stock of finished goods		(4,737,629)	(14,077)
		(4,723,552)	11,056
Cost of goods sold - own manufactured		13,515,071	6,074,905
Cost of goods sold - purchased for resale		4,717,769	7,345,042
		18,232,840	13,419,947

31.1 Includes feed gas consumed of Nil (2014: Rs 745.024 million) purchased from SNGPL, a related party (associated company).

31.2 Includes expenses of Rs 43.459 million (2014: Rs 81.529 million) for extraction of rock phosphate by PMCL, a related party (associated company), as explained in note 22.1 to these financial statements.

	2015	2014
	(Rupees in thousand)	
31.3 Salaries, wages and other benefits		
Salaries, wages and other benefits include the following in respect of retirement benefits:		
Gratuity		
Current service cost	15,792	15,969
Interest cost for the year	7,425	7,560
Expected return on plan assets	(6,492)	(6,274)
	16,725	17,255
Accumulating compensated absences		
Current service cost	8,059	2,487
Interest cost for the year	4,052	1,207
Remeasurements	524	(2,868)
	12,635	826

In addition to the above, salaries, wages and other benefits include Rs 13.215 million (2014: Rs 12.332 million) in respect of provident fund contribution by the group.

31.4 Includes fuel gas consumed of Rs 46.907 million (2014: Rs 644.746 million) purchased from SNGPL, a related party (associated company).

31.5 Includes expenses charged by FATIMA, a related party (associated company):

	2015	2014
	(Rupees in thousand)	
Rent against lease of land	699	639
Utilities	81,486	56,421
	82,185	57,060

31.6 This includes processing services of Rs 658.842 million (2014: Rs 976.416 million) availed from FATIMA, a related party (associated company).

31.7 Includes operating lease rentals amounting to Rs 15.224 million (2014: Rs 13.671 million).

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		2015	2014
		(Rupees in thousand)	
32. Administrative expenses			
Salaries, wages and other benefits	- note 32.1	310,436	208,035
Travelling and conveyance		15,647	13,274
Telephone, telex and postage		14,634	14,144
Stationery, printing and periodicals		5,323	7,898
Rent, rates and taxes	- note 32.2	60,405	39,476
Fee and subscription		493	87
Repairs and maintenance		50,130	28,768
Aircraft operating expenses	- note 32.3	123,160	111,764
Insurance		13,764	18,036
Legal and professional charges	- note 32.4	24,128	14,931
Vehicle running expenses		3,441	2,302
Entertainment		7,765	3,678
Advertisement		635	462
Depreciation on operating fixed assets	- note 20.1.3	195,203	194,635
Depreciation on assets subject to finance lease	- note 21.1	–	13,840
Amortization on intangible assets	- note 22.2	10,717	8,662
Others		57,269	61,381
	- note 32.5	893,150	741,373

	2015	2014
	(Rupees in thousand)	
32.1 Salaries, wages and other benefits		
Salaries, wages and other benefits include following in respect of gratuity:		
Gratuity		
Current service cost	5,325	5,466
Interest cost for the year	2,503	2,589
Expected return on plan assets	(2,189)	(2,148)
Amount charged to related party	(1,108)	(1,055)
	4,531	4,852
Accumulating compensated absences		
Current service cost	3,060	1,338
Interest cost for the year	1,539	649
Remeasurements	199	(1,544)
	4,798	443

In addition to the above, salaries, wages and other benefits include Rs 5.302 million (2014: Rs 5.222 million) in respect of provident fund contribution by the group.

32.2 Includes operating lease rentals amounting to Rs 19.289 million (2014: Rs 18.563 million).

32.3 Includes expenses of Rs 35.120 million (2014: Rs 31.090 million) for flying and maintenance services of the group's aircraft by Air One (Private) Limited, a related party (associated company) as per the Services Agreement.

	2015	2014
	(Rupees in thousand)	
32.4 Professional services		
The charges for professional services include the following in respect of auditors' services for:		
- Statutory audit	3,470	3,385
- Tax services	16,529	625
- Assurance and other certification services	–	160
- Out of pocket expenses	179	285
	20,178	4,455

32.5 Includes amount of Rs 189.383 million (2014: Rs 105.187 million) which represents common costs charged to the group by FATIMA, a related party (associated company) as per the Expense Sharing Agreement. Also, the amount is net of Rs 81.111 million (2014: Rs 74.205 million) which represents common costs charged by the group to FATIMA, a related party (associated company) as per the Expense Sharing Agreement.

		2015	2014
		(Rupees in thousand)	
33. Selling and distribution expenses			
Salaries, wages and other benefits	- note 33.1	120,228	16,576
Travelling and conveyance		10,824	2,616
Telephone, telex and postage		6,806	782
Stationery, printing and periodicals		1,745	184
Rent, rates and taxes	- note 33.2	40,662	3,273
Repairs and maintenance		5,007	995
Insurance		3,190	846
Vehicle running expenses		7,705	2,300
Entertainment		3,966	523
Advertisement and sale promotion		148,982	15,566
Depreciation on operating fixed assets	- note 20.1.3	9,697	4,634
Depreciation on assets subject to finance lease	- note 21.1	–	11,048
Transportation and freight		542,016	640,234
Fees and subscription		130	125
Utilities		1,066	236
Technical services		–	93
Others		7,665	126
	- note 33.3	909,689	700,157

	2015	2014
33.1 Salaries, wages and other benefits		
Salaries, wages and other benefits include the following in respect of retirement benefits:		
Gratuity		
Current service cost	9,981	9,744
Interest cost for the year	4,692	4,613
Expected return on plan assets	(4,103)	(3,830)
Amount charged to related party	(7,196)	(8,185)
	3,374	2,342
Accumulating compensated absences		
Current service cost	4,851	8,005
Interest cost for the year	2,439	3,885
Remeasurements	315	(9,234)
	7,605	2,656

In addition to the above, salaries, wages and other benefits include Rs 9.901 million (2014: Rs 8.815 million) in respect of provident fund contribution by the group.

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33.2 Includes operating lease rentals amounting to Rs 30.952 million (2014: Rs 21.252 million).

33.3 Includes amount of Rs 137.458 million (2014: Rs 23.308 million) which represents common costs charged to the group by FATIMA, a related party (associated company) as per the Expense Sharing Agreement. Also, the amount is net of Rs 437.373 million (2014: Rs 378.513 million) which represents common costs charged by the group to FATIMA, a related party (associated company) as per the Expense Sharing Agreement.

		2015	2014
		(Rupees in thousand)	
34. Finance cost			
Interest/mark up on:			
- PPTFCs - secured		–	115,223
- Finance leases		–	740
- Short term borrowings - secured	- note 34.1	861,518	602,618
- Long term loan from related parties - unsecured	- note 34.2	143,592	–
- Long term loans - secured		188,022	277,120
- Syndicated term finance - secured		–	12,775
- Short term loan from related party - secured	- note 34.3	296,779	368,384
- Workers' Profit Participation Fund	- note 17.4	695	186
Loan arrangement fees and other charges		605	4,551
Commission on letter of credit		137,090	141,471
Amortisation of transaction cost	- note 8.2.7	482	–
Bank charges		84,492	28,680
Late payment surcharge on unpaid GIDC		–	132,159
		1,713,275	1,683,907

34.1 Includes interest expense of Rs 36.916 million (2014: Rs 45.864 million) on account of running finance facility availed from a related party, Summit Bank Limited (associated company).

	2015	2014
	(Rupees in thousand)	
34.2 This relates to the following related parties:		
Fatima Holdings Limited (associated company)	15,931	–
Reliance Commodities (Private) Limited (associated company)	41,057	–
Member and Chairman's spouse	33,402	–
Chairman's children	5,067	–
Directors	48,135	–
	143,592	–

34.3 This relates to related party, FATIMA (associated company).

		2015	2014
35. Other expenses			
Donations	- note 35.1	20,947	1,431
Advances written off		2,218	–
Exchange loss		231,507	–
Workers' profit participation fund	- note 17.4	67,543	8,763
Workers' welfare fund		25,664	3,328
		347,879	13,522

35.1 Following is the interest of the directors in the donee for this year's donation:

Name and address of donee	Directors	Interest in donee
Mukhtar A. Sheikh Trust, 2nd Floor, Trust Plaza, L.M.Q Road, Multan.	Mr. Fawad Ahmad Mukhtar & Mr. Faisal Ahmad Mukhtar	Trustees

		2015	2014
		(Rupees in thousand)	
36. Other income			
Income from financial assets:			
Income on bank deposits	- note 36.1	61,589	24,445
Unrealised gain on investment held to maturity		4,689	4,181
Mark-up on credit sale of fertilizers		1,517	10,392
Exchange gain		–	77,483
		67,795	116,501
Income from non-financial assets:			
Rental income	- note 36.2	17,486	24,141
Profit on disposal of operating fixed asset		5,579	367,232
Scrap sales and sundry income	- note 36.3	24,517	32,460
Gain on recovery of chemical catalysts		–	200,607
Provisions and unclaimed balances written back	- note 36.4	148,465	21,154
Income from biological laboratory		4,636	4,055
Profit on disposal of chemical catalysts		–	165,320
Excess insurance premium refunded		64,205	108,940
		264,888	923,909
		332,683	1,040,410

36.1 Includes interest income of Rs 7.360 million (2014: Rs 16.328 million) on account of saving account with Summit Bank Limited, a related party (associated company).

36.2 Includes rental income for vehicles in use of and accomodation provided to the employees of the following related parties (associated companies):

	2015	2014
	(Rupees in thousand)	
FATIMA	64	10,341
Fatima Energy Limited	996	–
Reliance Weaving Mills Limited	3,452	–
	4,512	10,341

36.3 Includes an amount of Rs 1.084 million (2014: Nil) in respect of scrap sales to FATIMA, a related party (associated company).

36.4 Includes an amount of Rs 132.159 million (2014: Nil) in respect of late payment surcharge on GIDC payable, written back during the year relating to the period before the enactment of GIDC Act, 2015.

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		2015	2014
		(Rupees in thousand)	
37. Taxation			
Current tax			
- For the year		217,411	161,902
- Prior years		21,215	–
		238,626	161,902
Deferred	- note 13	(1,585,277)	(100,924)
		(1,346,651)	60,978

	2015	2014
	% age	% age
37.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	32.00	33.00
Tax effect of amounts that are:		
Not deductible for tax purposes	3.26	7.77
Not taxable under the law	(33.13)	–
Chargeable at lower rate of tax	(0.44)	(0.35)
Chargeable at different rate of tax	0.07	(0.91)
Allowable as tax credit	(0.01)	(2.44)
Effect of change in tax rate	(67.51)	2.00
Effect of change in prior years' tax	(41.32)	5.28
	(139.08)	11.35
Average effective tax rate	(107.08)	44.35

	2015	2014
	(Rupees in thousand)	
38. Cash generated from operations		
Profit before taxation	1,257,658	137,497
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	753,912	401,473
- Depreciation on leased assets	–	29,428
- Amortization on intangible assets	31,717	29,662
- Retirement benefits accrued	57,972	37,614
- Profit on disposal of operating fixed assets	(5,579)	(367,232)
- Provisions and unclaimed balances written back	(148,465)	(21,154)
- Finance cost	1,713,275	1,683,907
- Income on bank deposits	(61,589)	(24,445)
- Unrealised gain on investment held to maturity	(4,689)	(4,181)
- Exchange loss/(gain)	231,507	(77,483)
- Advances written off	2,218	–
- Gain on recovery of chemical catalysts	–	(200,607)
Profit before working capital changes	3,827,937	1,624,479
Effect on cash flow due to working capital changes		
- Decrease in stores and spare parts	65,317	410,203
- Increase in stock-in-trade	(7,021,568)	(36,051)
- Increase in trade debts	(2,387,472)	(71,172)
- Increase in advances, deposits, prepayments and other receivables	(4,706,404)	(565,462)
- Increase in trade and other payables	2,278,874	3,809,596
	(11,771,253)	3,547,114
	(7,943,316)	5,171,593

		2015	2014
		(Rupees in thousand)	
39. Cash and cash equivalents			
Short term borrowings	- note 15	(15,451,553)	(4,920,913)
Cash and bank balances	- note 29	530,820	1,428,962
		(14,920,733)	(3,491,951)

40. 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 41. Significant related party transactions have been disclosed in respective notes in these financial statements except for the following:

Relationship with the group	Nature of transactions	2015	2014
		(Rupees in thousand)	
i. Associated undertakings	Sale of goods and services	–	170,321
	Purchase of goods	88,986	13,247
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	61,335	60,058

41. Remuneration of Chief Executive, Directors and Executives

41.1 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		Executive Directors		Non-Executive Directors		Executives	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)							
Short term employee benefits								
Managerial remuneration	–	–	–	–	5,673	6,000	329,956	291,105
Bonus	–	–	–	–	–	–	1,042	883
Housing rent	–	–	–	–	–	–	109,327	97,177
Utilities	–	–	–	–	–	–	24,295	21,595
Conveyance	–	–	–	–	–	240	24,295	21,595
Medical expenses	–	–	–	–	567	–	9,868	16,428
Leave passage	–	–	–	–	945	1,000	38,169	35,031
Reimbursable expenses	–	–	–	–	–	–	1,283	1,328
Others	–	–	–	–	–	–	17,715	8,875
	–	–	–	–	7,185	7,240	555,950	494,017
Post employment benefits								
Contribution to provident and gratuity funds	–	–	–	–	–	–	42,155	36,985
Other long term benefits								
Accumulating compensated absences	–	–	–	–	–	–	44,358	37,286
	–	–	–	–	7,185	7,240	642,463	568,288
Number of persons	1	1	1	1	6	6	236	213

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

		2015	2014
42. Capacity and production			
Urea			
Rated production capacity	M. Tons	92,400	92,400
Actual urea produced	M. Tons	–	6,789

Nil production of UREA is attributable to high cost of production as comapred to other fertilizer products. The group intends to resume production of UREA next year as it expects that the price of RLNG will decrease in future.

		2015	2014
Nitro Phosphate (NP)			
Rated production capacity	M. Tons	304,500	304,500
Actual NP produced	M. Tons	265,349	44,684

The low production of NP is due to shortage of feed gas and periodical maintenance.

		2015	2014
Calcium Ammonium Nitrate (CAN)			
Rated production capacity	M. Tons	450,000	450,000
Actual CAN produced	M. Tons	287,954	55,432

The low production of CAN is due to shortage of feed gas and periodical maintenance.

		2015	2014
Polypropylene sacks			
Rated production capacity	Kilograms	5,280,000	5,280,000
Actual production	Kilograms	5,154,779	5,041,442

The low production of polypropylene sacks is due to the product mix.

43. Disclosures relating to Provident Fund

The group 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, 2015 and 2014:

	2015	2014
	(Rupees in thousand)	
Size of the Fund - total assets	350,297	315,758
Cost of investments made	270,528	225,735
Percentage of investments made	86%	79%
Fair value of investments	300,566	249,102
Break up of investments		
Special accounts in a scheduled bank	199,028	207,735
Mutual funds - listed	101,539	41,367

	2015	2014
	% age of size of the Fund	
Break up of investments		
Special accounts in a scheduled bank	57%	66%
Mutual funds - listed	29%	13%

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.

44. Financial risk management

44.1 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.

	2015	2014
	(Rupees in thousand)	
Amount payable - USD	19,601,027	42,583,465
Cash and bank balances - USD	(11,627)	(151,586)
Net liability exposure - USD	19,589,400	42,431,879
Amount payable - Euro	–	–
Cash and bank balances - Euro	(5,095)	(364,906)
Net asset exposure - Euro	(5,095)	(364,906)

At December 31, 2015 if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on pre tax profit for the year would have been Rs 100.885 million (2014: Rs 214.705 million) lower/higher, mainly as a result of exchange losses/gains on translation of USD denominated financial instruments.

At December 31, 2015 if the Rupee had weakened/strengthened by 5% against the Euro with all other variables held constant, the impact on pre tax profit for the year would have been Rs 0.029 million (2014: Rs 2.456 million) higher/lower, mainly as a result of exchange gains/losses on translation of Euro denominated financial instruments.

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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/loans, lease liabilities and short term borrowings. 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:

	2015 (Rupees in thousand)	2014
Fixed rate instruments:		
Financial assets		
Investment	43,278	38,589
Trade debts	2,510,370	121,369
Bank balances - saving accounts	382,090	1,314,132
	2,935,738	1,474,090
Financial liabilities	–	–
Net exposure	2,935,738	1,474,090
Floating rate instruments:		
Financial assets	–	–
Financial liabilities		
Long term loans from related parties	2,232,952	825,968
Long term finances	3,113,375	2,108,499
Short term borrowing from related party	2,200,000	3,000,000
Short term borrowings	15,451,553	4,920,913
	22,997,880	10,855,380
Net exposure	(22,997,880)	(10,855,380)

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 profit for the year would have been Rs 230.056 million (2014: Rs 100.284 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate instruments.

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:

	2015 (Rupees in thousand)	2014
Long term investments	107,510	102,821
Security deposits	28,554	34,534
Trade debts	2,004,830	277,162
Advances, deposits and other receivables	130,556	728,931
Cash and bank balances	530,820	1,428,962
	2,802,270	2,572,410

The group'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:

	2015 (Rupees in thousand)	2014
Neither past due nor impaired	2,004,830	277,162
Past due but not impaired:		
1 to 90 days	271,405	76,900
91 to 180 days	176,205	13,419
181 to 270 days	223,171	1,240
above 270 days	117,559	36,977
	788,340	128,536
	2,793,170	405,698

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.

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

	Rating Short term	Long term	Rating Agency	2015	2014
				(Rupees in thousand)	
Al Baraka Islamic Bank Limited	A1	A	PACRA	6,973	11,038
Allied Bank Limited	A1+	AA+	PACRA	70	76
Summit Bank Limited	A-1	A	JCR-VIS	224,536	279,786
Bank Alfalah Limited	A1+	AA	PACRA	45,042	444,136
Deutsche Bank AG	A-2	BBB+	Standard & Poor's	1,738	0.1
Dubai Islamic Bank Limited	A-1	A+	JCR-VIS	2	2
Faysal Bank Limited	A1+	AA	PACRA	3,701	7,253
Habib Bank Limited	A-1+	AAA	JCR-VIS	100,690	61,332
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	99	558,166
MCB Bank Limited	A1+	AAA	PACRA	5,387	2,127
Meezan Bank Limited	A-1+	AA	JCR-VIS	1,865	12,208
National Bank of Pakistan	A-1+	AAA	JCR-VIS	605	5,166
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	21,443	4,250
United Bank Limited	A-1+	AA+	JCR-VIS	90,577	15,577
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	59	58
BankIslami Pakistan Limited	A1	A+	PACRA	10,701	12,180
Sindh Bank Limited	A-1+	AA	JCR-VIS	4,879	6,922
Burj Bank Limited	A-2	A-	JCR-VIS	271	543
Citibank N.A.	P-1	A2	MOODY'S	0.3	0.3
The Bank of Punjab	A1+	AA-	PACRA	7,210	2,315
KASB Bank Limited	A3	BBB	JCR-VIS	–	662
				525,848	1,423,797

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.

The following are the contractual maturities of financial liabilities as at December 31, 2015 and December 31, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
As at December 31, 2015	(Rupees in thousand)			
Long term finances	3,113,375	1,143,236	1,970,139	–
Long term loans from related parties	2,232,952	–	2,232,952	–
Long term deposits	44,860	–	–	44,860
Short term borrowing from related party	2,200,000	2,200,000	–	–
Short term borrowings	15,451,553	15,451,553	–	–
Trade and other payables	7,392,684	7,392,684	–	–
Accrued finance cost	455,344	455,344	–	–
	30,890,768	26,642,817	4,203,091	44,860

	Carrying amount	Less than one year	One to five years	More than five years
As at December 31, 2014	(Rupees in thousand)			
Long term finances	2,108,499	972,404	1,136,095	–
Long term loans from related parties	825,968	–	825,968	–
Import bill payable	2,414,400	1,314,400	1,100,000	–
Long term deposits	48,070	–	–	48,070
Short term borrowing from related party	3,000,000	3,000,000	–	–
Short term borrowings	4,920,913	4,920,913	–	–
Trade and other payables	6,674,335	6,674,335	–	–
Accrued finance cost	326,929	326,929	–	–
	20,319,114	17,208,981	3,062,063	48,070

44.2 Fair value estimation

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.

44.3 Financial instruments by categories

	Held to maturity	Loans and receivables	Total
As at December 31, 2015	(Rupees in thousand)		
Assets as per balance sheet			
Security deposits	–	28,554	28,554
Trade debts	–	2,793,170	2,793,170
Advances, deposits and other receivables	–	130,556	130,556
Investments	43,278	–	43,278
Cash and bank balances	–	530,820	530,820
	43,278	3,483,100	3,526,378

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As at December 31, 2015	Financial Liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term finances	3,113,375
Long term loans from related parties	2,232,952
Long term deposits	44,860
Short term borrowing from related party	2,200,000
Short term borrowings	15,451,553
Trade and other payables	7,392,684
Accrued finance cost	455,344
	30,890,768

As at December 31, 2014	Held to maturity	Loans and receivables	Total
	(Rupees in thousand)		
Assets as per balance sheet			
Security deposits	–	34,534	34,534
Trade debts	–	405,698	405,698
Advances, deposits and other receivables	–	728,931	728,931
Investments	38,589	–	38,589
Cash and bank balances	–	1,428,962	1,428,962
	38,589	2,598,125	2,636,714

As at December 31, 2014	Financial Liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term finances	2,108,499
Import bill payable	2,414,400
Long term loan from related party	825,968
Long term deposits	48,070
Short term borrowing from related party	3,000,000
Short term borrowings	4,920,913
Trade and other payables	6,674,335
Accrued finance cost	326,929
	20,319,114

44.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2015	A	B	C = A + B	D	E = C + D	
Security deposits	–	–	–	–	–	28,554
Trade debt	2,793,170	–	2,793,170	–	2,793,170	–
Advances, deposits and other receivables	–	–	–	–	–	130,556
Investments	–	–	–	–	–	43,278
Cash and bank balances	–	–	–	–	-	530,820
	2,793,170	–	2,793,170	–	2,793,170	

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2014	A	B	C = A + B	D	E = C + D	
Security deposits	–	–	–	–	–	34,534
Trade debts	410,807	(5,109)	405,698	–	405,698	–
Advances, deposits and other receivables	–	–	–	–	–	728,931
Investments	–	–	–	–	–	38,589
Cash and bank balances	–	–	–	–	–	1,428,962
	410,807	(5,109)	405,698	–	405,698	

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial liabilites	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilites presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilites not in scope of off setting disclosures
	(Rupees in thousand)					
As at 31 December 2015	A	B	C = A + B	D	E = C + D	
Long term finances	–	–	–	–	–	3,113,375
Long term loan from related parties	–	–	–	–	–	2,232,952
Long term deposits	–	–	–	–	–	44,860
Short term borrowing from related party	–	–	–	–	–	2,200,000
Short term borrowings	–	–	–	–	–	15,451,553
Trade and other payables	7,392,684	–	7,392,684	–	7,392,684	–
Accrued finance cost	–	–	–	–	–	455,344
	7,392,684	–	7,392,684	–	7,392,684	

Notes

to and forming part of the Consolidated Financial Statements for the year ended December 31, 2015

	Gross amounts of recognized financial liabilites	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilites presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilites not in scope of off setting disclosures
			(Rupees in thousand)			
As at 31 December 2014	**A**	**B**	**C = A + B**	**D**	**E = C + D**	
Long term finances	-	-	-	-	-	2,108,499
Long term loan from related parties	-	-	-	-	-	825,968
Import bill payable	-	-	-	-	-	2,414,400
Long term deposits	-	-	-	-	-	48,070
Short term borrowing from related party	-	-	-	-	-	3,000,000
Short term borrowings	-	-	-	-	-	4,920,913
Trade and other payables	6,679,444	(5,109)	6,674,335	-	6,674,335	-
Accrued finance cost	-	-	-	-	-	326,929
	6,679,444	(5,109)	6,674,335	-	6,674,335	

44.5 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 group is not exposed to any externally imposed capital requirements. The gearing ratios as at December 31, 2015 and 2014 were as follows:

		2015	2014
		(Rupees in thousand)	
Borrowings - note 8, 9, 14 & 15		7,546,327	5,934,467
Cash and cash equivalents - note 39		(14,920,733)	(3,491,951)
Net debt		22,467,060	9,426,418
Total equity (includes surplus on revaluation of operating fixed assets)		24,093,033	18,079,402
Gearing ratio	**Percentage**	48 %	34 %

	2015	2014
45. Number of employees		
Total number of employees as at December 31	1,065	983
Average number of employees during the year	995	1,006

46. Details of subsidiary

Name of subsidiary	Accounting year end	Percentage of holding	Country of incorporation
Reliance Sacks Limited	December 31, 2015	100%	Pakistan

47. Date of authorization for issue

These financial statements were authorized for issue on April 08, 2016 by the Board of Directors.

Chief Executive

Director

Pattern of Shareholding as at December 31, 2015

Disclosure requirement under the code of corporate governance

Details of holding as on December 31, 2015:	Shares held
1. Associated Companies, Undertakings and Related Parties	
Reliance Commodities (Pvt) Limited	7,136,613
Amir Fine Exports (Pvt) Limited	12,895,296
Fatima Holding Limited	84,145,872
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	13,820,522
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
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 Holding Limited	84,145,872
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

Shareholding		No. of Shareholders	Total Shares held	Percentage
From	To			
1	100	3	3	0.00
3,575,001	3,580,000	1	3,577,410	0.79
4,030,001	4,035,000	4	16,121,724	3.58
6,455,001	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
12,895,001	12,900,000	1	12,895,296	2.87
13,820,001	13,825,000	1	13,820,522	3.07
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
84,145,001	84,150,000	1	84,145,872	18.70
134,995,001	135,000,000	1	135,000,000	30.0
Total		20	450,000,000	100

Pattern of shareholding as at December 31, 2015

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, 2016
1st Quarter ending March 31, 2016	Third week of April, 2016
2nd Quarter ending June 30, 2016	Third week of August, 2016
3rd Quarter ending Septembt 30, 2016	Last week of October, 2016
Year ending December 31, 2016	Fourth week of January, 2017

Form of Proxy

43rd Annual General Meeting

I/We ____________________

of ____________________

being a member(s) of Pakarab Fertilizer Limited hold

Ordinary Shares hereby appoint Mr. / Mrs. / Miss ____________________

of ____________ or falling him / her ____________________

____________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf

as the 43rd Annual General Meeting of the Company to be held on April **30, 2016** and / or any adjournment thereof.

As witness my/our hand(s) this ____________ day of ____________ **2016.**

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 Director resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with 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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Lahore Cantt. Lahore.54000
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