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Case Study of Joint Venture Between

National Fertilizer Corporation of Pakistan(Pvt.) Ltd.(NFC)

and

Abu Dhabi National Oil Company(ADNOC)

1987

Case study of Joint Venture between National Fertilizer Corporation of Pakistan(Private) Limited(NFC) and Abu Dhabi National Oil Company(ADNOC)

This case study has been prepared on the terms of reference for the preparation of an analysis based on case studies of Joint Ventures among developing countries in the Fertilizer Sector sent to me by UNIDO, attached at Annexure 'A'.

This case is based on Joint Venture project "Pakarab Fertilizers(Private) Limited", Multan. The joint venture is between National Fertilizer Corporation of Pakistan (Private) Limited(NFC) and Abu Dhabi National Oil Company(ADNOC).

(ZAHID AZIZ)
GENERAL MANAGER(TECHNICAL)
National Fertilizer Corporation of Pakistan(Private) Limited, Lahore, Pakistan.

PAKARAB FERTILIZER(PRIVATE) LIMITED

BACKGROUND:

Pakistan is an agricultural country and has a large population to feed. To raise productivity of the crops and yield per acre, fertilizer is an essential input. Back in 1970's the global situation of food was serious and the national governments emphasized self-sufficiency in food for maintaining their independence and non-aligned posture. In order to fulfil the objective of self-sufficiency in food the Government of Pakistan at that time made a plan to achieve self-sufficiency in fertilizers. The fertilizer projects are, however, capital intensive and require substantial foreign exchange finacning/investment. Since the Government of Pakistan was keen to achieve its objectives of self-sufficiency in food, it invited countries in the Gulf, who had enough financial resources and a desire of investing, to finance in such projects in Pakistan.

In persuance of this policy a protocol was concluded on November 15, 1972 between the Islamic Republic of Pakistan and the State of Abu Dhabi under which both parties agreed to cooperate in the fields of petroleum industry and natural resources available in both countries on the basis of mutual benefits. It was agreed to provide necessary facilities to persons and corporate bodies for the investment of their capital in accordance with the regulations and laws in force in the respective countries. This protocol laid the foundation stone of the joint venture under study. The protocol is attached at Annexure 'B'.

Persuant to the protocol signed between the two governments, a memorandum of understanding (MOU) was signed in March, 1973 between the West Pakistan Industrial Development Corporation(WPIDC) predecessor of National Fertilizer Corporation of Pakistan(Private) Limited (NFC) and the Abu Dhabi National Oil Company (ADNOC) concerning the establishment of a fertilizer plant at Multan (Pakistan) based on the use of existing facilties. This MOU was a very important document which set out the future relationship between two commercial companies, both in the public sector and governing the future agreements and the relashionship between the two sides. This MOU is attached as Annexure 'C'.

Besides points of interest common to both commercial companies the MOU contained some of the important points with respect to protecting the interest of respective partner in the joint venture. ADNOC sought the assurance of the Government of Pakistan as per para 2(h) to give protection to the products of this complex from over supply of fertilizers, para 2(i) was to ensure future expected financial rate of return at 15% and similarly para 2(j) sought assurance of the Government of Pakistan to ensure the adequate supply of gas. The Pakistani company through this MOU got the assurance of financing in form of equity from the ADNOC and its support for acquiring such external debts required to complete the project.

THE COMPANY:

Pakarab Fertilizers(Private) Limited, a company in the public sector was incorporated on the 12th November, 1973 as a joint venture between the West Pakistan Industrial Development Corporation(WPIDC) (Now NFC) and the Abu Dhabi National Oil Company(ADNOC) with the objectives of acquiring the existing natural gas fertilizer factory at Multan and implementing the scheme for its modernization and expansion.

Total authorized capital of the company is Rs.1,000 million. Initially, the total paid up capital of the comp-any was Rs.367 million, which was revised upwards to Rs.646 million in December, 1974. The shareholding of NFC in this capital reduced from 70% to 52% and that of ADNOC increased from 30% to 48%.

The policy of the company is determined by a Board of Directors comprising of nine members, four of whom represent ADNOC and the remaining five representing NFC. The Board of Directors has appointed a full time Managing Director who has been vested with necessary and adequate powers to manage the day to day affairs of the comapny on sound commercial lines.

DESCRIPTION OF THE PROJECT:

The project concerned the modernization and expansion of existing fertilizer production facilities at Multan formerly owned by PIDC and now by National Fertilizer Corporation of Pakistan(Private) Limited. The expansion carreid out under Pakarab management envisaged increased production capacities as follows:

PRODUCTION:

	Total Capacity after Expansion (M.Tons/day)
Intermediate	
- Ammonia	910
- Nitric Acid	1400
Finished	
- Urea	180 (Prilled)
- Nitrophoshate	1015 (Prilled)
- Calcium Ammonium Nitrate	1500 (Prilled)

ENGINEERING CONTRACTORS AND CONSULTANTS:

After the International Competitive bidding, negotiations were carried out with the most competitive Engineering Contractors for providing design, engineering, procurement and inspection services and agreements were signed at the end of 1973 with:

Messrs Kellogg International Corporation of U.K. for the Ammonia Plant and Offsite facilities and also construction supervison of these plants (1973).

Messrs Friedrich Uhde of Dortmund, West Germany, for Nitric Acid, Nitrophosphate, Calcium Ammonium Nitrate,Calcium Nitrate conversion and storage and handling facilities (1973).

Messrs Stamicarbon BV of Holland were appointed in March, 1974 as Technical Advisor to PFL, to provide advisory services and to oversee the work of the engineering contractors during design, engineering and procurement phase to plant erection, start up and guarantee periods.

Messrs Chemical Consultants Pakistan Limited, a Consultancy firm established in Pakistan was retained by PFL on all technical matters relating to the project.

Messrs Inventa of Switzerlands, were engaged in October, 1976 to assist PFL for providing constr-uction supervision management for the fertilizer plants, engineered & designed by Uhde.

The Project commenced commercial production in January, 1979. On the initial operation it was found to suffer from serious design defects. It took two years to study and remove the defects with the cooperation of its technical advisor, M/s. Stamicarbon who were also licensors of the process and the engineering contractor M/s. Uhde. After a good amount to effort by the management the design defects were removed and the plant was put into full production in 1982. The plant is presently operating at full capacity and can be safely considered technically and commercially a viable project.

The study of this joint venture can be carried out in two phases; first phase where the project was under implementation and the second when the project came into operation. Further discussions of the case will be now with respect to these two phases:

1. **PROJECT PHASE:**

During the course of implementation of this project the time over runs and the cost over runs became obvious. The contracts with the engineering contractors M/s. Kellogg and Uhde of West Germany were signed in December, 1973 and became effective in May, 1974. The original contracts stipulated time schedule of 28 months from the date of effectiveness to the date of mechanical completion. According to this stipulation, commissioning should have started by 30th August, 1976. Whatever the reasons of delay the project entered the commissioning stage only in early 1978. This delay also affected the costs which were also escalated due to reasons other than delay. The original cost of the project was Rs.832.397 million but finally it got completed at a cost of Rs.2279.01 million. Such over runs in time schedule and costs naturally became the point of discussion between the partners of the joint venture over the implementation period of the project. One of the important impact was that additional foreign exchange was required and many alternatives were prepared by the Pakistani side towards the end of 1974 to meet this shortfall in finances. Out of these, two alternatives were either financing through loan or by raising the equity share of the foreign investors. ADNOC condidered it better to increase their equity participation from 30 - 40% not only in respect of additional equity but also in respect of original equity on overall basis to meet PFL financial cost over-runs. This was done to keep the overall cost on lower side. As per Participants Agreements, which the sponsors signed in November, 1973 the equity participation of the NFC/GOP and ADNOC was 70:30. But, the increase in share of equity by ADNOC reduced the share of NFC to 52%. In a summary prepared for Economic Committee of the Cabinet of the Government of Pakistan (ECC) in December, 1974 the approval was sought to offer ADNOC upward revision of Abu Dhabi contribution from 30% upto maximum of 49% of total equity (ordinary shares).

During the earlier negotiations a mix of ordinary shares and redeemable preference shares was offered, the final agreement was as per summary for the ECC. But more interesting thing happened during the negotiations to secure additional finances. The partners agreed to change some of the important clauses in the participants agreement through supplemental participants agreement in March, 1975 which resulted in amendments to original protocol of 1972 between the two countries. The most important change was in Article VII(ii) of the participants agreement which related to the return on equity. The original clause VII(ii) read:

> "the Company shall endeavour through efficient and economic management to achieve the best financial results presently estimated at approximately 15%".

> The amended clause VII(ii) read:

> "the Company shall endeavour through efficient and economic management to achieve the best financial results and the comapny has been assured by the Governemnt of Pakistan that so long as prices of fertilizers are controlled, they shall be so fixed as to permit atleast 15% return to share holders subject to the plant operating at a production efficiency approved by the Government of Pakistan".

Another substantial change relatively less emphasised during the negotiations, was in Article VII(v). The original Article VII(v) read:

> "the contracting parties undertake to exercise their voting rights in 'the compony' to give full effect to the provision and objectives of this agreement and to carry out the same".

The Article-V of the supplemental agreement read as follows:

"The Board of Directors of the Company shall consist of not less than seven (7) and not more than twelve (12) Directors. For time being, Board of Directors shall consist of nine (9) Directors, out of whom four (4) shall be the nominees of Abu Dhabi and the remaining five (5) shall be the nominees of NFC and/or other persons. The Chairman of the Board of Directors as well as the Managing Director of the Company shall be nominated by NFC and the Company will be run in accordance with memorandum and article of the Company."

It can be observed from the record of negotiations on supplemental agreement that in order to secure additional finances serious and tough discussions took place between the partners ADNOC and NFC to get better return on investments in December, 1974 at Abu Dhabi before concluding the supplemental agreement. It could be noticed also that revised clause on rate of return (Article VII(ii) in the supplemental participants agreement, accomodated ADNOC point of view so that foreign investment remains attractive to the shareholder. Similarly the protocol signed between the two countries in November, 1972 also came up for amendment in respect of taxation Article-IV. This amendment had to be approved by both governments in order to enable ADNOC to finalize the supplemental agreement. Through this amendment tax was exempted on dividend income which is normally a case on any foreign equity investement.

This amendment to Article-V removed the ambiguity on the participation level in the management by the two partners of the joint venture and later it became noticeable that ADNOC took more active participation in the management of the company through its directors on the Board of PFL. This active role in a way removed any possibility of misunderstanding between participants at later stages. ADNOC directors kept themselves abreast of all developments such as cost over-runs, delay in project schedule or any structural changes in the organizational relationships between NFC and its subsidiary namely PFL.

During the implementation of the project ADNOC were provided regularly copies of progress reports and such related information of interest as are normally provided to other local and international financial institutions. One of their nominees was member of Finance Committee responsible for deciding purchase of materials like steel, cement etc., besides the normal procurement activity of plant & machinery. There had been regular board meetings in which all the relevant issues were discussed and necessary clarifications provided to the directors. Because of good communication maintained between participants, there has been no instance of concern expressed by any side about the lack of any information.

Because the emphasis in this joint venture is on financial participation therefore it would be in the interest of the reader to know the equity and the loan arrangements. Besides the equity sources provided by the participants both in local and foreign exchagne component as enuciated under the paras describing 'The Company', the following loans were contracted directly by the Company as well as through Governemnt of Pakistan:

<u>IBRD Loan No.988</u>

Principal amount	Rate of interest
$ 35.0 million	$7\frac{1}{4}$ %

This was a direct loan between the Company and World Bank with a Guarantee from Government of Pakistan. The debt servicing was to be arranged by the Company itself plus a Guarantee Fee of $2\frac{1}{4}$% which the Company was required to pay to Government. The interest plus guarantee fee thus amounts to 9½%.

ABD Loan No.172-Pak (Ord: Operations)

	Principal amount	Rate of Return
	$ 19.25 million	7½% (plus commitment charges)

ADB Loan No.171-Pak (Special Operations)

	Principal amount	Rate of Return
	$ 7.75 million	1% (plus commitment charges)

These loans have been relent to the Company at an interest rate of 9½% plus commitment fee extra charged by the Bank at actuals.

OPEC Loan

	Principal amount	Rate of Return
	$ 1.1 million	- (service charges @ $\frac{3}{4}$%/annum).

The Government of Pakistan obtained this loan from OPEC Special Fund as a financial support and has relent this loan to the Company @ 9½% per annum.

Term Loan with NFC

	Principal amount	Rate of Return
	Rs.452.0 million	2½% (above bank rate)

The Company availed this long term loan from NFC to meet the balance project requirements in local currency. The interest rate charged by NFC to the Company is the same at which the Corporation had raised funds from the banking Sector through issuance of debentures.

Re-lending Terms

The foreign loans obtained by the Government of Pakistan are relent to various agencies on terms notified by the Government of Pakistan from time to time. At the time of the project implementation the rate which government charged to all loans relent to industrial agencies controlled by the Federal Government was 9½% per annum. Accordingly PFL had also been charged 9½% under various subsidiary financing agreements. The local loan which the Company took from NFC was relent at the same rate at which funds were raised from the Banking Sector as part of Annual Development Programme. The question of custom duties levied by the Government of Pakistan is still a oint of discussion between the two participants. ANDCO is of the view that these taxes and duties levied by the Governemnt of Pakistan should be waived to provide financial relief to the Company to ensure the success of the Joint Venture. They were of the opinion that concessions in the itnerest rates, taxes and custom duties would be sort of contribution which government was expected to make to such projects. They followed it with letters and pursued in the board meetings and other such meetings held at the highest levels. The local management of the company made its best efforts to explain to the foreign investors, the views of the Governemnt of Pakistan and their own views on such issues. Obviously this was a policy matter which the Government of Pakistan had to consider not only for ADNOC but for all foreign investment

OPERATIONAL PHASE

PFL complex came into commercial operation in January, 1979. As stated earlier, on start up it was found to suffer from serious design defects in respect of Nitrophosphate (NP) and Calcium Ammonium Nitrate(CAN) plants.

The plant was operated, for the next two years at little more than 50% of its designed capacity. Up-to-date yearwise capacity utilization details is at Table-I. This resulted in lot of stress and strain on the management of the company. However, the Government of Pakistan agreed to fix the operating capacity at lower level in order to ensure profits and to live upto the commitments made to the shareholders, for payment of dividend. The role of the ADNOC is to be appreciated during all this period. They agreed to finance the modification from internal sources and to set aside the dividend of the year 1979-80 for this problem solving. NFC was also able to use leverage of ADNOC to negotiate with the foreign consultants and engineering contractors and to peg them to their responsibility for removal of such design defects. Negotiations were held with the Consultants and Contractors in the office of ADNOC, Abu Dhabi with positive result for the joint venture. The contractors accepted the responsibility of these defects and agreed to finance all the foreign exchange cost of design, engineering and equipment & machinery for modifications to remove the design defects.

Once the design defects were removed and the project became technically and economically viable entity ADNOC Directors desired a higher rate of return on equity. In 1983, the directors representing ADNOC desired that the dividend rate should be increased by drawing upon the reserves built in the past. The Company management explained that the results appearing in the balance sheet consisted of the amounts set aside for; (i) internal financing, capital cost of plant modification, (ii) deferred taxation, and (iii) capacity gains accrued to the company.

This approach was not convincing for ADNOC and they asked for full distribution of all the reserves. NFC Directors on the Board, however, explained to ADNOC Directors that a large company like PFL should always have sizable reserve funds of its own to meet replacement and modification requirements of plant & machinery and it would not be a prudent policy to disburse all profits in the form of higher dividends. ADNOC Directors appreciated the point of view of NFC and did not insist on their point. In order however to accomodate ADNOC the rate of dividend was reasonably increased from 15% to 22½%. To explain the position on the payment of dividend and other financial matters of the Company during the last six years a summary of balance sheet and income statement is enclosed as Tables II & III.

The partners had different views as regard financing of BMR & Energy Saving Project. A loan agreement was signed with the World Bank in 1982 to carry out Balancing & Modernization of Urea Plant at PFL, Multan and Rationalization Programme for controlling pollution and replacing the inventories etc. A part of the project dealt with energy saving as well as energy efficiency. The project was to be financed by a US$ 24 million loan of the World Bank and the local component of Rs.76.7 million was to be self-financed. However, ADNOC did not agree to self-financing of the local component from the reserve fund and the comapny had to raise loan from NFC to carry out this BMR Project raising the cost on account of the interest to be paid. The Appraisal Report of this project, prepared by the World Bank showed very favourable financial and economic rate of return. It can be stated now that BMR project had been a real success as it increased the Urea production from 180 tpd to 280 tpd and has resulted into conservation of energy as projected in the feasibility studies. Such position by one of the partner does not necessarily mean that the smooth relationship did not exist. In fact very cordial and smooth relationship exist between the Board of Directors vis-a-vis ADNOC and NFC. These are the matters of routine business and in the spirit of business are normally expected to occur. Though the participation agreement provides a mechanism of arbitration in case of any dispute but it can be noticed that inspite of some occasional differences the two sides have never resorted to arbitration and at the most managed to resolve any of such differences through mutual dicussions and through the diplomatic channels of the two countries, if necessary.

ADAPTATION TO CHANGE REQUIREMENTS

In the past lending agencies for this project as well as the co-investors i.e. ADNOC advocated competitive pay structure for the executives of the Company. The project being in the public sector, the Government of Pakistan could not do much about the basic pay scales vis-a-vìs its other projects and the fertilizer industry but they agreed to give special pay and allowances to the executives of the Company and some other long term benefits to make the total package competitive. This was specially done at the time when the turnover of the engineering staff was too high and the job opportunities in the Gulf attracted them to leave the PFL. ADNOC also helped to reduce the turnover rate by concluding an agreement with NFC for hiring its technical executives and plant operators/ technicians in one of their plants at Ruwais, Abu Dhabi and paying them emoluments prevailing in the Gulf market. At the same time they agreed not to employ any person from NFC directly on his resignation from the local comapny. By adapting to these changing circumstances the joint venture was able to keep experienced engineers for the smooth and efficient running of the fertilizer factory. The modernization of the Urea Plant and the installation of Purge Gas Recovery Unit was one of the technological changes to improve efficiency and production of the plant and at the same time conserving energy. The management systems were reorganized in 1982 with the help of management consultants namely Syncip, Gorres, Velayo & Co. (SGV), of Phillipines.

The measures which have been taken in the past and the measures which would be taken in the future would hopefully keep the joint venture in a dynamic cycle of progress.

Government of Pakistan has deregulated nitrogenous fertilizer prices from May, 1986 and the same could be expected for phosphatic fertilizers in due course of time. Whereas the Government objective is to evolve a self-sustained industrial structure in the country, it has created some short term problems in respect of profitability for the joint venture under study. The major production of this joint venture is nitrogenous fertilizer i.e. CAN and Urea. Nitrophosphate (NP) is still regulated but liable to be deregulated as being discussed and debated in the Government hierarchy. This policy change can induce lot of technological changes in the process to keep it a competitive and profitable unit, so that it remains attractive to the foreign investors. Again this is subject to the anticipated policy changes.

In order to keep the joint venture on-going and dynamic the most important changes are technological changes. These changes could occur due to BMR, Innovation and additions or deletions of the existing equipment/process. If there is a delay or non-implementation of the anticipated changes, even then the technological adaptation would be required which is necessary for the overall competitive strategy.

Other areas where adaptation might be required are management, productivity of the worker and the mechanism and the efficiency of the system. NFC has already anticipated some of the problems related to the productivity and efficiency of the system and initiated two studies i.e. (i) Cost Reduction and Productivity Improvement, and (ii)

Inventory Control Study. These studies are in final stages of completion and would up-date present systems and also suggest the areas where any technological change would achieve cost reduction or improve the productivity.

ROLE OF GOVERNMENT POLICIES

The role of Government policies for the operation and the development of the industry cannot be denied in any economy.The Government policies and procedures relating to past and some of the anticipated policy changes in the future can greatly affect the profitability of a company. This joint venture is not an exception. The fertilizer industry is a mature industry in the country and the present Government is in a process of deregulating the fertilizers. After deregulation of prices the Government also accounced decrease in the price of gas which is an essential input of the fertilizer industry which the industry still considers high to achieve comparability with the gas rates prevailing in the free economy of Gulf area. At the time the Government also controls the prices of any agriculture output which is an important variable affecting the demand of the fertilizer in a developing economy.

Labour policy is also one of the Important Government policy/instrument for regulating the industrial labour. The anti-pollution regulaitons and standerdization laws can also largely affect the profitability of any fertilizer plant. Import and export policy on the fertilizer can seriously affect the fertilizer industry in general and joint venture in particular. The custom rules, tarrifs, exemption or levies of taxes can definitely affect the joint venture in the future.

The demand of the directors representing ADNOC for enhancing the rate of dividend to compensate for the devaluation of the local currency against the dollar is again one of the serious consideraton for local partners and the Government of Pakistan. All the Government policies which are fiscal or regulatory, therefore, can affect the project in respect of profitability and operatability.

In conclusion it could be said that joint venture experienced real stress and strain due to delay in project, plant cost spiral and design defects, but spirit of accomodation, sincerity of purpose guided the joint venture through difficult times in the past and the same is hoped for the future.

ANNEXURE 'A'

Terms of reference for the preparation of an analysis based on case studies of joint-ventures among developing countries in the fertilizer sector

Background:

The Fourth Consultation on the Fertilizer Industry, New Delhi, India, 23-27 January 1984 recommended that UNIDO Secretariat examine the various elements of joint-venture arrangements in the fertilizer industry entered into by developing countries between themselves. The overall objective of this exercise is to examine and assess successful cases of joint-venture arrangements concluded between developing countries in the fertilizer sector with a view of identifying their characteristic components in respect to production, technology options, raw materials, distribution and marketing, technical and managerial know-how etc.. The assessment and analysis would than serve as a realistic and pragmatic basis for the promotion of other similar co-operative schemes in the developing countries.

Scope of work:

The Consultant is expected to prepare a concise and up-to-point investigation based on the experience of an actual joint-venture enterprise operated by two or more developing countries in the fertilizer sector which is generally considered economically and commercially a viable entity. The analytical content of the report will, in the main relate to:

1. Motivation and strategies of the business partners in the venture;
2. Procedure adopted in negotiating the joint-venture
3. Informational and confidence-building measures adopted;
4. Potential areas of conflict of interests;
5. Mechanisms employed to reconcile non-complementary interests;
6. Adaptation to changing requirements and expectations in the dynamic cycles of joint-venture;
7. Role of government policies; and finally
8. Conclusions drawn for the benefit of other fertilizer joint ventures among developing countries.

The treatment of these items obviously cannot be comprehensive and should be primarily tackled from the perspective of co-operative needs in joint-venture schemes. In the synthesis of the results attention should be focussed on concrete measures as embodied in specific legal formulations susceptible of promoting comparable arrangements at both governments and companies level. It is intended to evaluate the lessons learned in four specific and successful instances of joint-venture agreements among developing countries and compile the findings in the form of guidelines for facilitating further South-South co-operation in the sector.

PROTOCOL

In order to further strengthen and develop the fraternal ties between the Islamic Republic of Pakistan and the State of Abu Dhabi, meetings were held in Abu Dhabi between a delegation consisting of Pakistani experts from the Ministry of Fuel, Power and Natural Resources and ministry of Finance, headed by His Excellency Mr. Vaseem A. Jaffarey, Secretary of the Ministry of Fuel, Power and Natural Resources; and a delegation of Abu Dhabi experts headed by His Excellency Sayyed Mana Saeed Al-Otaiba, Minister of Petroleum and Industry and the Chairman of Abu Dhabi National Oil Company, hereinafter called the Contracting Parties.

Both Parties agreed to co-operate in the fields of Petroleum Industry and Natural Resources available in both countries on the basis of mutual benefits in the following manners:

ARTICLE ONE

The Contracting Parties will endeavour to promote, assist and estbalish joint ventures in the field of Petroleum, Industry and in such other sectors of the economy, as may be agreed upon, from time to time.

ARTICLE TWO

The participation of the Contracting Parties in joint ventures may take the form of investment in equity capital or technical assistance or a combination thereof.

ARTICLE THREE

The Contracting Parties may participate in the joint ventures either directly or through such agencies of nationals as they may choose to nominate.

ARTICLE FOUR

The Contracting Parties will provide necessary facilities to persons and body corporates of each of them for the investment of their capital in accordance with the regulations and law in force in their respective countries.

ARTICLE FIVE

The Contracting Parties will permit remittance in convertible currencies of all profits, interests and repayments of loan arising out of investment by a contracting party in a project located in the territories of the other contracting party.

ARTICLE SIX

In pursuance of this agreement, the contracting parties may conclude separate protocols or agreements setting out the terms and conditions for participation in specific joint ventures.

ARTICLE SEVEN

The representatives of the contracting partes will meet, at appropriate intervals, to review the implementation of the agreement, and to take measures to remove difficulties if any.

Contd......p/2

The protocol will be ratified in accordance with legal requirements of the respective contracting parties and shall come into force on the date the instruments of ratification are exchanged.

Sd/-
VASEEM M. JAFAREY
Secretary,
ministry of Fuel, Power
and Natural Resources

for the Government of
The Islamic Republic of
pakistan.

Sd/-
MANA SAEED AL-OTABA
Minister
of Petroleum and Industry
Chairman of Abu Dhabi
National Oil Company

for the State of Abu Dhabi.

15TH NOVEMBER, 1972
ABU DHABI

IN THE NAME OF GOD THE BENEFICIENT THE MERCIFUL

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE WEST PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION(PAKISTAN)

AND

THE ABU DHABI NATIONAL OIL COMPANY

1. In accordance with the Protocol and the Memorandum signed in Abu Dhabi on November 15, 1972, between the accredited representatives of the Governments of Abu Dhabi and Pakistan, a meeting was held between the Abu Dhabi Delegation headed by H.E. Mr. Mana Saeed Al-Otaiba, Minister of Petroleum and Industry and Chairman of Abu Dhabi National Oil Co., and H.E. Mr. A.R. Faridi, Chairman, West Pakistan Industrial Development Corporation on March 7, 1973. This meeting was a follow-up of meetings held between the two sides, on March 3 and 4 at experts level at which the technical and financial details concerning the establishment of a fertilizer plant at Multan (Pakistan) based on the use of the existing facilities, were discussed.

2. The Abu Dhabi and Pakistan Delegations agreed upon the following:

   a) A joint Abu Dhabi and Pakistan fertilizer company will be set up to implement the scheme for the modernization and expansion of the natural gas fertilizer factory at Multan.

   b) The cost of the project is estimated at US $ 76.7 million with a foreign exchange component of US $ 56.7 million.

   c) The debt:equity ratio will be mutually agreed upon later.

   d) The equity capital of the project will be US $ 30.8 million.

   e) The Abu Dhabi National Oil Company will acquire 30% of the equity capital.

   f) The Abu Dhabi Pakistan Joint Company shall be collectively responsible for the raising of the necessary external finances.

   g) The Abu Dhabi Pakistan Joint Company will first approach the Abu Dhabi Development Fund and other Abu Dhabi financial sources for the raising of the necessary finances. Failing to receive a positive response at attractive rate of interest form the aforesaid sources, the Joint Company will explore known international financing sources for such funds.

   h) The West Pakistan Industrial Development Corporation should approach the Government of Pakistan for an assurance that the production of this project will receive protection from over supply of fertilizers.

i) The Joint Company will endeavour thorugh efficient and economic management to achieve the best financial results, presently estimated at approximately 15%.

j) West Pakistan Industrial Development Corporation will approach the Government of Pakistan to ensure and guarantee the supply of gas in adequate quantity.

k) both sides will approach their respective Government for the ratification of this Memcrandum which, in any case, should be ratified not later than April 30, 1973.

Sd/-
A.R. FARIDI
Chairman
of West Pakistan Industrial
Development Corporation
for Islamic Republic of
Pakistan.

Sd/-
MANA SAEED AL-OTAIBA
Minister
of Petroleum and Industry
and
Chairman of Abu Dhabi
National Oil Company
for the State of Abu Dhabi.

March 7, 1973.

FROM THE SECRETARY GENERAL OF THE CABINET OF MINISTERS TO ABU DHABI NATIONAL OIL COMPANY

Sub: Resolusion No. 20 Session 20/73
Establishment of Company Ltd. by shares between Abu Dhabi and Pakistan - Fertilizer Factory Project

Session held on 21/5/1973

The Cabinet has approved on the following:

1st A company limited by shares to be estbalished between Abu Dhabi National Oil Company by 30% of the capital and the Organization concerned in Pakistan by the remainder.

2nd The new formed company has to conclude an agreement with Pakistan Government to secure the following points:

A. To allocate the land required for the Plant.

B. Specify the quantity and price of the natural gas required for the proejct as well as the period of the supply.

C. Specify the bases on which the prices of the fertilizer can be sold.

D. To guarantee the repatriation of ADNOC's capital, dividends and profits in free currency.

3rd. The proposed company to be estbalished will take the responsibility of financing the project and to guarantee the loan to be obtained provided that the responsibility of each party of the participants in the project is to be limited to its share of participation in the capital of the company.

The participation of the Abu Dhabi National Oil Company shall be on the basis defined by the Board of Directors of that company taking into consideration that the estimated total cost of the project is about (77) seventy seven million U.S. Dollars. 40% (fourty per cent) of this amount is equity and the balance is financed by loans and the share of Abu Dhabi to be financed in cash will be within (9.25) million dollars paid over three years.

All legislative measures required for implementation of the above shall be carried out.

Secretary General
ABDEL MAJID EL-QISI

ANNEXURE 'E'

Grams: "Presidential"

Phone:

MINISTRY OF PRESIDENTIAL AFFAIRS
GOVERNMENT OF PAKISTAN
ISLAMABAD
(PRODUCTION DIVISION)

No. PF/P-1(31)/72-Vol.II

April 2, 1973

To

The Chairman,
West Pakistan Industrial Development Corporation,
PIDC House,
Karachi.

Dear Sir,

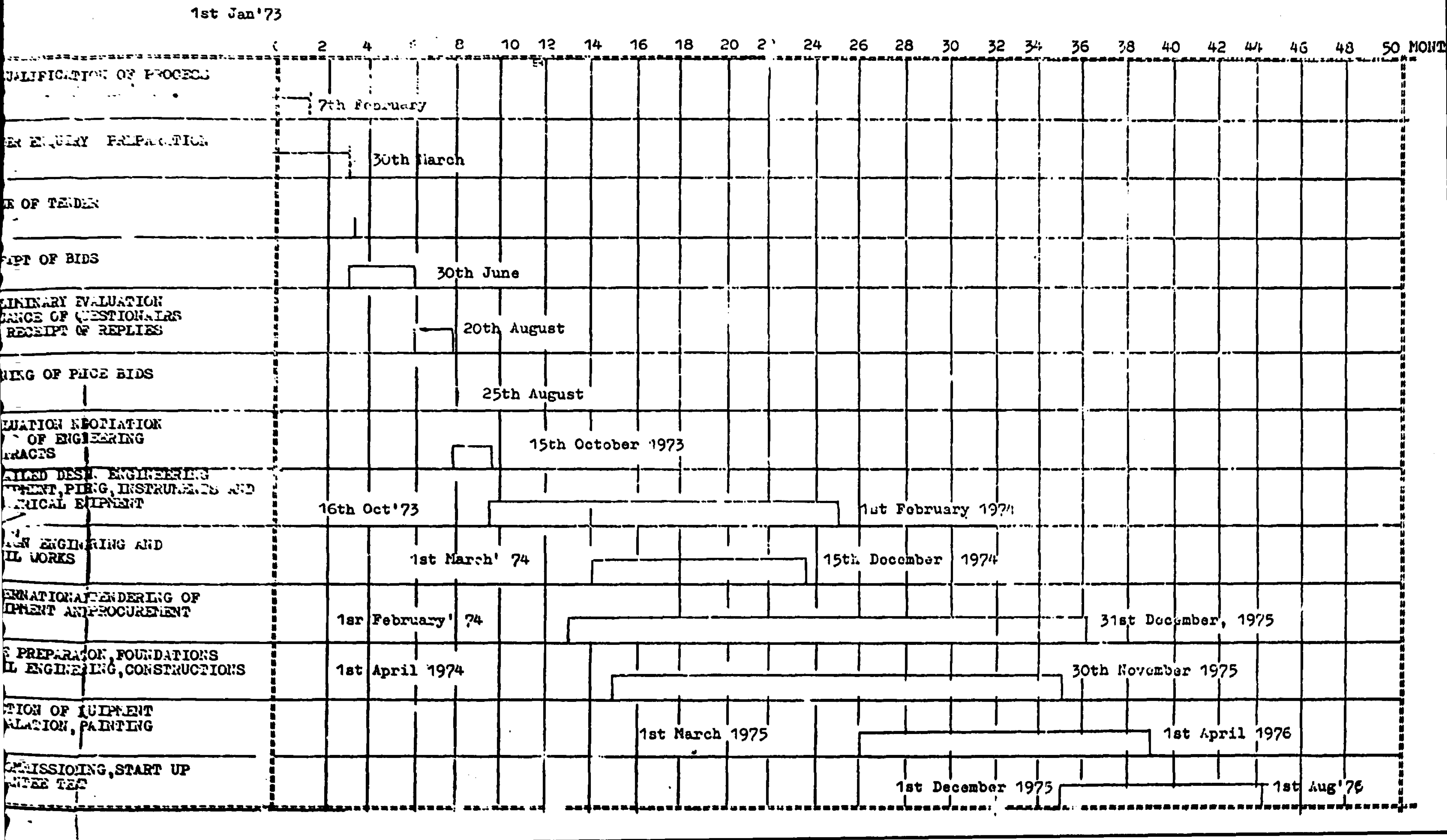
Please refer to your D.O. No.CH/NGFF/121, dated the 26th March, 1973. I am directed to refer to the Memorandum of Understanding signed between Mr. A.R. Faridi, Chairman W.P.I.D.C. (for Islamic Republic of Pakistan) and His Excellency Mr. Mana Saeed Al-Otaiba, Minister of Petroleum and Industry and Chairman of Abu Dhabi National Oil Company (for the State of Abu Dhabi) on the 7th March, 1973 at Abu Dhabi and the Experts Agreement signed between Mr. A.R. Faridi, Chairman, W.P.I.D.C. (for Islamic Republic of Pakistan) and Mr. M.K. Sharaf El Dino and Mr. Hassan Salman Al-Hindi (for the State of Abu Dhabi) on 20th march at Karachi regarding Multan Fertilizer Project and to convey the approval of the Government of Pakistan for the ratification of the above mentioned agreement.

Yours faithfullt,

Sd/-
(JAVED TALAT) CSP
Deputy Secretary

ANNEXURE - 'F'

THE SCHEDULE EXPANSION NATURAL GAS FERTILIZER FACTORY MULTAN



PARTICIPANTS AGREEMENT

JOINT PAKISTAN - ABU DHABI

FERTILIZER PROJECT

IN THE NAME OF ALLAH THE BENEFICIENT THE MURCIFUL

PARTICIPANTS AGREEMENT

JOINT PAKISTAN - ABU DHABI FERTILIZER PROJECT

THIS AGREEMENT is made this FIRST day of NOVEMBER one thousand nine hundred and seventy-three BETWEEN THE WEST PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (hereinafter referred to as "WPIDC" which expression shall include all its successors and assigns) of the One Part AND THE ABU DHABI NATIONAL OIL COMPANY (hereinafter referred to as "ABU DHABI" which expression shall include all its successors and assigns) of the Other Part.

WHEREAS:

(a) By a Protocol concluded between the Government of Pakistan and the State of Abu Dhabi on November 15, 1972 (and attached hereto as Annexure 'A') the Contracting Parties considered the promotion and estbalishment of joint ventures in the fields of Petroleum and Industry as a means to further strengthen and develop the existing fraternal ties between PAKISTAN and ABU DHABI.

(b) By a Memorandum of Understanding concluded between WPIDC and ABU DHABI on March 7, 1973 (and attached hereto as Annexure 'B') the Contracting Parties agreed to establish a joint Abu Dhabi and pakistan Fertilizer Company to implement the Scheme for the modernization and expansion of the Natural Gas Fertilizer Factory at Multan (PaKISTAN);

(c) By Resolution No.20 of the Session held on 21st May, 1973 (and attached hereto as Annexure 'C') - Arabic and Annexure 'D' - English translation) the Abu Dhabi Cabinet of Ministers having approved with certain qualifications the establishment of the Joint Fertilizer Project and the approval having been intimated to the Abu Dhabi National Oil Company by the Secretary-General of the Cabinet; and

(d) By a letter of April 2, 1973, No.PD/P-1(31)/72-Vol.II (and attached hereto as Annexure 'E') the Government of Pakistan having ratified the Memorandum of Understanding of 7th March, 1973.

NOW THEREFORE, IT IS HEREBY AGREED AND DECLARED by and between the Parties hereto as follows:

Article I - DEFINITIONS

In this Agreement where the context so admits the singular includes the plural and vice-versa and the following expressions shall respectively have the following meanings,that is to say:

I.1 "ABU DHABI" means the Abu Dhabi National Oil Company.

I.2 "ABDU DHABI's approval" means the approval of the Project by the Abu Dhabi Cabinet of Ministers, contained in Resolution 20, Session 20/73 held on 21st May, 1973 and communicated by the Secretary-General of the Cabinet to the Abu Dhabi National Oil Company as attached hereto in Annexure 'C' (Arabic) and 'D' (English translation).

I.3 "Abu Dhabi Associate" means a body corporate in which the Abu Dhabi National Oil Company directly or indirectly holds or controls more than 50 per cent of the total votes conferred by the issued share capital of that body corporate.

I.4 "COMPANY" means PAKARAB FERTILIZERS LIMITED, initially a private limited company proposed to be incorporated in Pakistan for engaging in, inter alia, the production of fertilizers and related products;

I.5 "CONTRACTING PARTIES" means the Abu Dhabi National Oil Company and the West Pakistan Industrial Development Corporation.

I.6 "MEMORANDUM" means the Memorandum of Understanding signed by the Chairman, West Pakistan Industrial Development Corporation, and the Abu Dhabi Minister of Petroleum Industry/Chairman of the Abu Dhabi National Oil Company, dated March 7, 1973.

I.7 "PAKISTAN's ratification" means the approval of the Government of Pakistan for the ratification of the Memorandum defined in Article I.6 above.

I.8 "Present official exchange rate" means the US Dollar converted into Pakistan Rupees or vice-versa at the present rate of Pakistan Rupees 9.90 (Rupees nine and paisa ninty) per US Dollar.

I.9 "PROJECT" means the entire project relating to the establishment and expansion of the Naturla Gas Fertilizer Factory at Multan(Pakistan) which is the subject of the Agreement.

I.10 "PROTOCOL" means the Protocol and the Memorandum signed in Abu Dhabi and Pakistan on November 15, 1972.

I.11 "TERRITORY" means the Islamic Republic of Pakistan as territorially constituted at the date hereof.

I.12 "TIME SCHEDULE" means the estimated time-table for the Project attached herewith as Annexure 'F'

I.13 "WPIDC" means the West Pakistan Industrial Development Corporation, a Government Corporation established under Presidential Ordinance No.XXXVIII of 1962.

Article-II - THE PROJECT

II.1 The Contracting Parties shall cause to be designed and constructed, through the COMPANY, a new fertilizer plant initially capable of producing 637,500 metric tons/year of Nitrophosphate and Calcium Ammonium Nitrates, as well as 181,500 metric tons/year of Calcium Ammonium Nitrate and Urea from the existing facilities at Multan in Pakistan.

II.2 The new fertilizer plant shall be designed and constructed so as to be capable of producing the following:

(1)	Ammonia	300,000 tons/year
(2)	Nitric Acid	396,000 tons/year
(3)	Nitrophosphate(22.5:22.5.0)	310,800 tons/year

The existing plant by using some intermediates fromt the new plant shall produce on economic basis the following:

(1)	Calcium Ammonium Nitrate (25.6% N).	108,900 tons/year
(2)	Urea (46% N)	72,600 tons/year

II.3 The project shall include the following existing offsites and facilities, such as, but not restricted, to:

Plot of land measuring 250 acres, workshops, water cooling towers, boilers, waterworks, water treatment plants, storage for ammonia, nitric acid, urea and calcium ammonium nitrate, general stores for spares and materials, garages, laboratories, schools, urea, calcium, ammonium nitrate plants, nitric acid and ammonia plant, electric sub-station, hospital, administration building, housing colony, railway-sidings and roads.

Article-III - **FORMATION OF THE COMPANY**

The Contracting Parties shall forthwith, after approval of this Agreement by the Board of Directors of WPIDC and the Board of Directors of Abu Dhabi National Oil Company, jointly procure the incorporation in Pakistan of the COMPANY for the purpose of carrying out the objects referred to in Article-II hereof and in the memorandum and Articles of Association (attached hereto as Annexure 'G'). The COMPANY shlal be incorporated within a reasonable time after the dater of signature by the Contracting Parties to this Agreement. The Contracting Parties shall incur the cost of the formation and/ or floation and incorproation of the COMPANY, and all related functions and the expenditure incurred by them on this account shall be reimbursed to them by the Company.

Article-IV - PARTICIPANT IN THE COMPANY

In accordance with, inter alia, the Memorandum (attached hereto as Annexure 'B') and 'ABU DHABI's approval' the present estimates of the cost of the Project and particulars of Share Capital and participation of the Contracting Parties in the proposed COMPANY will be as follows:

IV.1 The cost of the Project is estimated as Rs.918.396 million (Pakistan Rupees nine hundred and eighteen million and three hundred ninety six thousand) equivalent at the 'present official exchange rate' to US $ 92.767 million (US Dollars ninety two million and seven hundred and sixty seven thousand).

IV.2 The initial nominal capital of the COMPANY shlal be a sum of Rs.1,000 million (Pakistan Rupees one thousand million) equivalent at the 'present official exchange rate' to US $ 101.101 million (US Dollars One hundred and one million and one hundred and one thousand) comprising 100,000,000 ordinary shares of the value of Rs.10/- (Pakistan Rupees ten) each. The total subscribed and paid-up capital of the COMPANY shall, ultimately be not less than 30 (thirty) per cent of the total cost of the Project.

IV.3 The foreign exchange component of the cost of the Project is presently estimated at 737.136 million (Pakistan rupees seven hundred thirty seven million and one hundred thirty six thousand) equivalent at the present official exchange rate to US $ 74.457 million (US dollars 74 million and four hundred and fifty seven thousand).

IV.4 The local currency content cost of the Project is presently estimated to be Rs.181.260 million (Pakistan Rupees one hundred eighty one million and two hundred sixty thousand) equivalent at the present official exchange rate to US $ 18.310 million (US Dollars eighteen million and three hundred ten thousand).

IV.5 The equity capital of the Project based on 60:40 debt equity ratio will be Rs.367.358 million (Pakistan Rupees three hundred sixty seven million and three hundred fifty eight thousand) equivalent at the 'present official exchange rate to US $ 37.107 million (US Dollars thirty seven million and one hundred and seven thousand).

IV.6 The debt equity ratio will be 60:40 as mutually agreed upon.

IV.7 ABU DHABI will acquire 30% of the equity capital which shall be paid for in US Dollars.

IV.8 WPIDC shall be responsible for ensuring the subscription of the balance of the equity share capital.

IV.9 The COMPANY shlal be responsible for raising the necessary external and internal finances.

IV.10 'The COMPANY', WPIDC and ABU DHABI will first approach the Abu Dhabi Development Fund and other Abu Dhabi financial resources for the raising of necessary external finances. Failing to receive a positive response at reasonable rates of interest and period of repayment from the aforesaid, the parties will explore known internatinal financing sources for such funds.

IV.11 The proposed COMPANY to be established will take the responsibility of financing the Project and shall undertake the repayment of the loan to be obtained. The responsibility of each Contracting Party for financing the Project is to be limited to their respective percentage of participation in the equity capital of the COMPANY as laid down in sub-paras 7 and 8 above. Similarly the responsibility of each Contracting Party for providing, or ensuring the provision of, satisfactory guarnatees in respect of any loans raised for the Project from internal or international sources, shall be limited to that percentage of the loan which is equivalent to their respective percentage of participation in the equity capital of the Project.

Article-V **MANAGEMENT OF COMPANY**

The Board of Directors of the COMPANY shall consists of not less than 7 (seven) and not more than 12(twelve) Directors. The first Board of Directors, shall consist of twelve Directors, out of whom four (4) will be the nominees of ABU DHABI and the remaining eight (8) will be the nominees of WPIDC and/or other persons. The Chairman of the Board of Directors as well as the General Manager of the COMPANY will be nominated by WPIDC and the COMPANY will be run in accordance with the Memorandum and Articles of the COMPANY, (attached hereto as Annexure 'C').

Article-VI **MEMORANDUM & ARTICLES OF ASSOCIATION**

The Contracting Parties agree that during the period that ABU DHABI shall be members of the COMPANY holding shares in the COMPANY of a nominal value at the time of issue thereof of not less than 30% (thirty per cent) they will ensure that the Memorandum and Articles of Association shall not be altered or amended in any way without the consent of ABU DHABI.

Article-VII IMPLEMENTATION

i) WPIDC shall endeavour to ensure that the production of this Project will receive protection from over supply of fertilizers in the Territory.

ii) 'THE COMPANY' shall endeavour through efficient and eocnomic management to achieve the best financial results, presently estimated at approximately 15%.

iii) WPIDC shall ensure the supply of gas in adequate quantity for the entire life of the Project.

iv) ABU DHABI shall ensure that legislative measures by the Government of Abu Dhabi required for the implementation of the Project shall be enacted and carried out.

v) The Contracting Parties undertake to exercise their voting rights in 'the COMPANY' to give full effect to the provisions and objects of this Agreement and to carry out the same.

Article-VIII DURATION

VIII.1 This Agreement shall come into force upon the date of its signature hereof by the Contracting Parties.

VIII.2 The Contracting Parties shall be obliged to perform all functions and duties and be entitled to the benefits of all rights arising hereunder at the date of signature hereof. The Contracting Parties shall commence to subscribe to their respective shares of the equity capital of the Project, in accordance with Article IV.7 and IV.8 above, in annual instalments over a period of three years.

VIII.3 Note later than 31st JANUARY, 1974, 30.45 MILLION rupees and the equivalent of 34.207 MILLION rupees will be paid by WPIDC and ABUDHABI, respectively, as payments of equity capital subscriptions.

Thereafter, payments of capital subscription shall be made by WPIDC and ABU DHABI as required by the Board of Directors of the Company to enable the debt equity ratio of the COMPANY to be maintained at the level indicated in Article IV.6 above; provided, however, that unless the Board of Directors of the Company otherwise approves the following additional payments of equity capital subscriptions shall be made:

(a) 90 MILLION rupees and the equivalent of 40.0 MILLION rupees by WPIDC and ABU DHABI, respectively, not later than 30th June, 1974.

(b) 90.0 MILLION rupees and the equivalent of 36.0 MILLION rupees by WPIDC and ABU DHABI, respectively, not later than 30th June, 1975.

VIII.4 The Contracting Parties agrees that as far as possible the Project will be executed in accordance with the Time Schedule annexed hereto as Annexure 'F'.

Article-IX TERMINATION

IX.1 Subject to earlier termination as herein provided this Agreement shall remain in force until terminated by either party giving to the other Party at least twelve months prior notice to terminate this Agreement.

IX.2 The termination of this Agreement (heresoever occasioned) shall be without prejudice to any obligation or rights on the part of any of the Contracting Parties which shall have accrued prior to such termination.

Article-X **ASSIGNMENT**

X.1 ABU DHABI shall be entitled, with the consent of WPIDC or its nominees, to assign all or any part of its rights and obligations under this Agreement to any "Abu Dhabi Associates" for the purpose of this Agreement. WPIDC shall have the first right of refusal in respect of any ABU DHABI assignment to any person other than its 'Abu Dhabi Associate' at a mutually agreed price.

X.2 In the event that ABU DHABI or WPIDC assigns all or any part of their respective rights and obligations udner this Agreement or transfers any shares held by them in the Company in accordance with the provisions of paragraph 1 of this Article, then in such event ABU DHABI or WPIDC as the case may be, shall at all times remain liable for the obligations imposed upon them under this Agreement up to the date of assignment and that the objects and provisions of this Agreement are duly implemented.

Article XI **REPATRIATION OF DIVIDENDS**

The Government of Pakistan shall ensure the repatriation in free currency of all ABU DHABI profits, dividends and capital arising from the Project in accordance with the terms of this Agreement.

Article XII **ARBITRATION**

XII.1 This Agreement shall be subject to the laws of Pakistan which shall be the proper law of this Agreement.

XII.2 All disputes arising in connection with the present Agreement shall be finally settled in Paris in accordance with the rules of arbitration of the International Chamber of Commerce.

XII.3 Any reference to arbitration under this Agreement shall be to a sole arbitrator appointed jointly by the Parties hereto. In default of agreement on the appointment of a sole arbitrator the reference shall be to two arbitrators one to be selected by each Party. In the case that two arbitrators are appointed the arbitrators shall appoint an Umpire not later than one month from the latest date of their respective appointments before entering upon the refernece.

XII.4 The judgement upon the award rendered may be entered in at any Court in Karachi having jurisdiction, and application may be made to such Court for a judicial acceptance of the award and an order enforcement as the case may be.

XII.5 Upon every and any such refernece to arbitration, the assessment of costs incidental to the reference and the aware respectively shall be in the discretion of the arbitration tribunal so appointed.

XII.6 The parties agree to refer any aforesaid controversy, claim or dispute to arbitration as provided hereinabove before any action in any Court of Law.

XII.7 The decision of the Arbitration Tribunal shall be final and binding on the Parties.

Article XIII TOPICAL HEADINGS

The topical headings used herein are inserted for convenience only and shall not be constructed as having any significance or meaning whatsoever or as indicating that all the provisions of this Agreement relating to any particular topic are to be found in any particular Article.

Article XIV UNDERTAKING

The Contracting Parties will do their utmost to facilitate the rights and obligations contained in this Agreement and will not knowingly do or omit to do any act which will prejudice or jeopardise the same rights and obligations or the objects and functions contained in the Articles and Memorandum of Association of the Company.

IN WITNESS WHEREOF this Agreement has been entered into the date and year first above before written.

for WEST PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION

BY Sd/-
(A.R. FARIDI)

BY Sd/-
(T.G. NASIR KHAN)

WITNESSES:

Sd/-
Dr. Aziz N. Kurtha

for ABU DHABI NATIONAL COMPANY

BY Sd/-
(H.H. SEIKH TAHNOON)

BY Sd/-
(ABDULLAH ISMAIL)

WITNESSES:

Sd/-
M.K. Sharaf el Din
Director of Industry

Date: 1st November, 1973

A S S I G N M E N T

West Pakistan Industrial Development Corporation hereby assigns all its rights and obligations udner the Partcipants Agreement dated 1st November, 1973 with Abu Dhabi National Oil Company to National Fertilizer Corporation of Pakistan Limited.

The date of the said assignment shall be 2nd April. This assignment is authorized by the Pariticpants Agreement of 1st November, 1973 between WPIDC & ADNOC.

WEST PAKISTAN INDUSTRIAL
DEVLEOPMENT CORPORATION

Witnesses:

By_____Sd/-_____

1._____Sd/-_____

2._____Sd/-_____

National Fertilizer Corporation of Pakistan Limited hereby accepts the assignment hereof and agrees to fully perform the tems and conditions of the said Participants Agreements.

NATIONAL FERTILIZER CORPORATION
OF PAKISTAN LIMITED.

By_____Sd/-_____

Witnesses:

1._____Sd/-_____(Director Chemical Consultants)

2._____Sd/-_____(G.M. NFC)

Abu Dhabi National Oils Company hereby consents to the above assignment.

ABU DHABI NATIONAL OIL
COMPANY

Witnesses:

By_____Sd/-_____

1._____Sd/-_____ (Abdur Rasheed, DM, NFC)

2._____Sd/-_____

IN THE NAME OF ALLAH THE BENEFICIENT AND MERCIFUL

SUPPLEMENTAL PARTICIPATS AGREEMENT
JOINT PAKISTAN-ABU DHABI FERTILIZER PROJECT

THIS SUPPLEMENTAL PARTICIPANTS AGREEMENT is made this day of First of March, 1975 by and between National Fertilizer Corporation of Pakistan Limited (the "NFC") and the Abu Dhabi National Oil Company (the "ABU DHABI").

WHEREAS:

(a) The West Pakistan Industrial Development Corporation (the "WPIDC") and ABU DHABI entered into a Participants Agreement dated 1st November, 1973(the "Participants Agreement") with regard to a joint Fertilizer Project at Multan (the "Project").

(b) WPIDC assigned the Participants Agreement to NFC as per the Deed of Assignment dated 2nd April, 1974 and as approved by ABU DHABI.

(c) The contracting parties had anticipated at the time of the Participants Agreement that a total equity financing of 367.358 million Rupees (Pakistani rupees three hundred sixty seven million and three hundred fifty eight thousand) would be required for the Project.

(d) Since the date of the Participants Agreement the earlier estimates with regard to equity financing have proved inadequate and additional equity commitment by the contracting parties is now required for the Project.

(e) The contracting parties are agreeable to modifying the relevant terms and conditions of the Participants Agreement.

NOW THEREFORE, THIS SUPPLEMENTAL PARTICIPANTS AGREEMENT WITNESSETH AS FOLLOWS:

1. Delete Article IV.5 of the Participants Agreement and substitute with the following:

    IV.5 The equity capital of the Project shall be 646.140 million rupees (Pakistani rupees six hundred forty six million and one hundred forty thousand), equivalent at the present official exchange rate of US $ 65.267 million (US Dollars sixty five million and two hundred sixty seven thousand).

2. Delete Article IV.7 and substitute with the following:

    IV.7 ABU DHABI shall acquire 48% (forty eight percent) of the equity capital which shall be paid for in US Dollars.

Contd.....p/2

3. Delete Article V of the Participants Agreement and substitute with the following:

V. <u>MANAGEMENT OF COMPANY</u>

The Board of Directors of the COMPANY shall consist of not less than 7 (seven) and not more than 12 (twelve) Directors. For the time being, the Board of Directors shall consist of 9(nine) Directors, out of whome 4 (four) shall be the nominees of ABU DHABI and the remaining 5(five) shall be the nominees of NFC and/or other persons. The Chairman of the Board of Directors as well as the Managing Director of the COMPANY shall be nominated by NFC and the COMPANY shall be run in accordance with the Memorandum and Articles of Association of the COMPANY (attached hereto as Annexure 'G').

4. Delete Article VII(ii) of the Participants Agreement and substitute in its place the following:

VII(ii)

(a) The COMPANY shall endeavour through efficient and economic management to achieve the best financial results and the COMPANY has been assured by the Government of Pakistan that so long as prices of fertilizers are controlled by the Government they shall be so fixed as to permit at least 15% (fifteen percent) return to shareholders subject to the plant operating at a production efficiency approved by the Government of Pakistan.

(b) The Government of Pakistan has agreed to exempt the dividend income of ABU DHABI, from taxation in Pakistan in terms of its notification SRO 230(1)/75 dated 20th February, 1975 (attached hereto as Annexure 'II') read with D.O. No.5(2) IT6/75, dated 27.1.75 (attached hereto as Annexure 'I') and D.O. No. 5(2)I.T.6/75, dated 20.2.75 (attached hereto as Annexure 'I').

5. Delete Article VIII.3 of the Participants Agreement and substitute in its place the following:

VIII.3

30.45 million rupees (Pakistani rupees thirty million and forty five thousand) and the equivalent of 34.207 million rupees (Pakistani rupees thirty four million and two hundred and seven thousand) shall be paid by WPIDC and ABU DHABI, respectively, not later than 31st January, 1974, as payment of equity capital subscriptions.

Thereafter capital subscription in the ratio agreed under Article IV.7 shall be made by NFC and ABU DHABI as required by the Board of Directors of the COMPANY to enable the COMPANY to maintain debt equity ratio at the level indicated in the Article IV.6; provided, however, that unless the Board of Directors of the COMPANY otherwise approves the following additional payments of equity capital subscriptions shall be made.

Contd....p/3

VIII.3

(a) 90 million rupees (Pakistani rupees ninty million) and the equivalent of 40 million rupees (Pakistani rupees forty million) by NFC and ABU DHABI respectively not later than 30th June, 1974.

(b) 90 million rupees (Pakistan rupees ninty million) and the equivalent of 36 million rupees (Pakistani rupees thirty six million) by NFC and ABU DHABI respectively, not later than 1st January, 1975; and

(c) 125.543 million rupees (Pakistani rupees one hundred and twenty five million and five hundred and forty three thousand) and the equivalent of 199.949 million rupees (Pakistani rupees one hundred ninty nine and nine hundred forty nine thousand) by NFC and ABU DHABI respectively, as and when required on one month's notice in the form of share subscription call, and in such instalments as may be determined by the Board of Directors of the COMPANY for uninterrupted procurement operations; Provided that in satisfaction of a call made by the COMPANY on NFC the existing fixed assets included in the existing Multan Plant shall be transferred to the COMPANY by 1st July, 1975 for a total consideration of 46.700 million rupees (Pakistan rupees forty six million and seven hundred thousand) and the COMPANY shall, in consideration of such transfer, issue 4,670,000 of its shares of Rs.10.00 each at par, such issuance to be in partial satisfaction of the obligation undertaken by NFC in this sub-clause.

In witness thereof, this supplemental Agreement has been entered into the date and year first herein above written.

FOR	NATIONAL FERTILIZER CORPORATION OF PAKISTAN LIMITED.	FOR	ABU DHABI NATIONAL OIL COMPANY.
	Sd/-		Sd/-
	WITNESS:		WITNESS:
	Sd/-		Sd/-

IN THE NAME OF ALLAH THE BENEFICIENT THE MERCIFUL

UNDERTAKING FOR AND ON BEHALF OF
PAKARAB FERTILIERS LIMITED, LAHORE

WHEREAS:

1. National Fertilizer Corporation of Pakistan Limited and Abu Dhabi National Oil Company are the present and principal shareholders of Pakarab Fertilizers Limited.

2. Abu Dhabi National Oil Company is agreeable to investing additional equity in Pakarab Fertilizers Limited on the understanding that its dividend income would be exempt from taxation in Pakistan.

3. The Government of Pakistan has, through letter No.5(2)IT6/75, dated 27th January, 1975 decided that the said income of Abu Dhabi National Oil Company shall be exempt from taxation in Pakistan.

4. Abu Dhabi National Oil Company seeks a formal undertaking from Pakarab Fertilizers Limited that its dividend income of Abu Dhabi National Oil Company from Pakarab Fertilizers Limited shall be exempt from taxation in Pakistan and Pakarab Fertilizers Limited is agreeable to giving such an undertaking.

NOW THEREFORE, PAKARAB FERTILIZERS LIMITED HEREBY ASSURES AND UNDERTAKES:

1. That Abu Dhabi National Oil Company's dividend income from Pakarab Fertilizers Limited shall be exempt from taxation in Pakistan pursuant to the Government of Pakistan's notification SOR 230(1)/75, dated 20.2.75 read with D.O. No.5(2)IT6/75, dated 20.2.75.

2. That Pakarab Fertilizers Limited shall at all times idemnify Abu Dhabi National Oil Company's dividend income from taxation in Pakistan.

FOR PAKARAB FERTILIZERS LIMITED

Sd/
(S. BABAR ALI)
CHAIRMAN

Dated: March 1, 1975

WITNESS:

Sd/-
M.R. JAFFERY

AGREEMENT FOR THE SECONDMENT OF NFC PERSONNEL TO FERTIL

THIS AGREEMENT is entered into at [illegible] by and between RUWAIS FERTILIZER INDUSTRIES (FERTIL) and NATIONAL FERTILIZER CORPORATION OF PAKISTAN (NFC) and is within the frame work of the Memorandum of Understanding entered between NATIONAL FERTILIZER CORPORATION OF PAKISTAN and ABU DHABI NATIONAL OIL COMPANY (ADNOC) on 5th day of August 1982.

ARTICLE 1

PURPOSE OF THE AGREEMENT

NFC shall, at FERTIL's request, propose suitable employees for secondment to the head office of FERTIL in the city of Abu Dhabi or the FERTILIZER PLANT of FERTIL located in RUWAIS, Emirate of Abu Dhabi, for a period to be agreed by two parties.

ARTICLE 2

SECONDMENT

2.1 Secondment Programme

FERTIL shall provide to NFC a tentative annual programme of secondment at the end of each calendar year, showing a summarized job description and the gradation of each post for which personnel is sought and the estimated commencement date and duration of the secondment. Such [illegible] shall, however, be subject to modifications even subsequent to the approval with mutual consent of both FERTIL and NFC.

2.2 Request for secondment

Prior to every secondment, FERTIL shall send a request to NFC not less than four (4) months before the secondment commencement date. FERTIL's request shall contain full details for every position as follows:

- Job description.
- Minimum requirements regarding education and experience.
- Place of work.
- Estimated commencement date and duration of secondment.
- Gradation of position.
- Status of secondee.
- Annual leave entitlement.

a) Place of work

The place of work will be in the Emirate of Abu Dhabi either in Ruwais or in the city of Abu Dhabi.

b) Duration of Secondment

The Secondment of each secondee shall begin on the date specified on the joining report for duty to be sent by FERTIL to NFC upon his resuming work and shall end on the day specified on the end of secondment report to be sent by FERTIL to NFC. The duration of secondment will not exceed 24 months, unless extended by mutual agreement.

c) Gradation

Each position carries a corresponding grade for determining the monthly charges and accommodation level and is defined in Annex 2 in general but shall be specified in the request for secondment as under Article 2.2.

d) Status of Secondee

Depending on the position and the place of work, the secondee can be assigned to FERTIL on a rotation basis or a continuous presence basis. The status of all positions with place of work in the city of Abu Dhabi is on a basis of a continuous presence. In case of a continuous presence, the status of the secondee may be on a bachelor basis or family basis depending on the rules of FERTIL.

In the case the status of the secondee is on a rotation basis, the secondee will stay on a bachelor basis.

e) Annual and other leaves

Annual leave for each secondee is to be calculated depending on the status of secondee; such annual leave should not exceed a period of a month. The secondee shall complete nine (9) months of service in FERTIL prior to the first annual leave.

Secondees shall be entitled to sick leave and compassionate leave as per FERTIL Rules.

2.3 Selection of a Secondee

Following the request of FERTIL, NFC shall, within a month, propose after consultation with FERTIL, candidates for each post. NFC shall provide bio-data and appraisal proforma of the proposed candidates.

At FERTIL's option, NFC shall make arrangements for formal interviews and other examinations and tests by FERTIL on a mutually agreed date and place. Costs, if any, of such arrangements may be borne by FERTIL.

FERTIL shall be the sole judge of suitability of any nominee being proposed by NFC and may reject any or all nominees without assigning any reason.

NFC shall undertake and complete all required procedures and administrative steps prior to the departure of the accepted candidate. Costs, if any, for such procedures shall be reimbursed by FERTIL.

The candidate is subject to a probationary period of three (3) months at the end of which the secondment notice will be countersigned by FERTIL as stated in Article 2.4 of this AGREEMENT. In case of an unsuccessful probationary period, the cost of air ticket passage from Abu Dhabi to Lahore, Pakistan will be borne by FERTIL.

2.4 Secondment Notice

A secondment notice as defined in Annex 1 shall be established for each accepted secondee by FERTIL and shall be issued by NFC and be countersiged by FERTIL upon the final acceptance of the candidate at the end of the probationary period. Upon arrival in Abu Dhabi, the secondee shall produce a medical certificate verifying a medical examination carried out by the NFC authorised medical officers. In addition, each secondee shall undergo medical examination by FERTIL authorised medical officers and, notwithstanding the medical certificate from NFC authorised medical officers, if secondee is not medically fit in the opinion of FERTIL, secondee shall return to Lahore, Pakistan at the expense of NFC.

2.5 Charges

a) Monthly emoluments

The monthly emoluments payable to NFC for the secondment of each secondee are such as defined in Annex 2 depending on the grade of the secondee and the status of secondment.

The monthly emoluments do not include special allowance for business trips either UAE or Abroad.

The monthly emoluments of the secondee shall be paid in the following manner:

- FERTIL shall directly disburse in UAE Dirhams to the Secondee in Abu Dhabi on the last working day of each month a sum equal to the balance of the FERTIL monthly emoluments remaining after remittance to NFC as referred to in the following paragraph.

- FERTIL shall regularly remit to NFC on behalf of the Secondee, such amount deducted from his monthly emoluments equivalent to the gross monthly salary drawn by the Secondee in Pakistan at the time of Secondment, as notified by NFC in Annex 1.

- The remittance to NFC referred to in preceding paragraph above, shall be made within 30 days following the end of each month of secondment to a bank account specified by NFC.

- The emoluments due for a period less than a month shall be calculated on prorata basis of a monthly period of 30 days.

b) Accommodation and other services

FERTIL shall provide accommodation to the secondee according to his status as defined in the request for secondment and after the completion of the probationary period, administrative assistance in connection with all travelling inside, arriving at and departure from the emirate of Abu Dhabi including transport, import and export of personal effects as well as Immigration, Custom and Police Registration and suitable office accommodation, equipment and other facilities for secondees that may be required to enable such personnel to carry out their duties in a proper manner as per FERTIL Rules.

Medical assistance for secondee and his immediate family members shall be as per FERTIL's Rules.

c) Transportation

i) Purchase of a Car

FERTIL may advance, depending on the status of the secondee, his grade and on the duration of the secondment, an amount which will not exceed 25% of the amount of annual emoluments, and which will be recovered within a period of 21 months, for purchase of a Car. Such advance may occur only after the successful completion of probationary period and if the secondee is entitled to purchase a car under the Law of Abu Dhabi.

The amount of the monthly repayment will be deducted from the monthly invoices. In case the secondee leaves earlier for any reason, NFC shall refund the balance to FERTIL by deducting such balance from rest of the monthly invoices.

ii) Business Trips

In case the secondee is assigned to a business trip by FERTIL, FERTIL shall bear the cost of air ticket including all incidental travel costs as per its own rules.

iii) Transportation for joining, termination of secondment and for annual leave

FERTIL shall provide economy class air ticket passage for the secondee and the entitled members of his family according to the status of the secondee and FERTIL rules, from LAHORE, PAKISTAN to ABU DHABI at the time of joining and from ABU DHABI to LAHORE, PAKISTAN at the time of termination of secondment and from ABU DHABI to LAHORE, PAKISTAN and return once a year for the secondee whose status of secondment is a continuous presence basis, for home leave during the period of secondment.

d) Insurance

During the period of secondment, the [illegible]dee will be covered by Employees Insurance as per FERTIL R[illegible]

2.6 Employment of Ex-NFC employees

FERTIL agrees not to hire directly any NFC personnel during the period of one year from the date of his leaving the services of NFC except that the person has already left NFC services before the coming into effect of this agreement as stipulated in para one.

ARTICLE 3

WITHDRAWAL OF SECONDEES

FERTIL may terminate an assignment during the period of secondment. In such case, FERTIL shall bear the cost of the air ticket passage to LAHORE, PAKISTAN for the secondee and the entitled members of his family, according to the status of secondment and FERTIL's own rules, who are present at the moment in UAE.

NFC may terminate an assignment during the period of secondment after consulting with FERTIL. In such case NFC shall bear the cost of the air ticket passage to LAHORE, PAKISTAN for the secondee and the entitled members of his family. NFC shall propose a replacement of the withdrawn secondee if FERTIL asks to do so and will bear all the costs of selection for such replacement and air ticket passage from LAHORE, PAKISTAN to ABU DHABI for the secondee and the entitled members of his family.

ARTICLE 4

DUTIES OF SECONDEES

4.1 General duties

It shall be the duty of each NFC secondee to perform the particular duties and assume the responsibilities attendant upon his nominated post as may be properly required by the management of FERTIL.

During the period of his secondment, the secondee will report exclusively to FERTIL Management.

4.2 Applicability of regulations

During his period of secondment, each NFC secondee will be integrated into the organization of FERTIL to the post for which he has been seconded and will be subject to FERTIL administrative regulations to the extent they do not conflict with the clauses of this specific secondment agreement.

ARTICLE 5

INVOICING AND PAYMENT

FERTIL shall make the payments as per Article 2.5a at the end of each month. NFC in the meantime shall submit the Invoice as per the breakdown contained therein for FERTIL's records.

ARTICLE 6

TAXES

All monies payable to NFC/Secondee under this AGREEMENT shall be net and free of all taxes or Governmental charges levied by the U.A.E. or Abu Dhabi Government. All taxes or levies which NFC or its secondee has to pay in Pakistan shall be to the cost of NFC or it's secondee, as the case may be.

ARTICLE 7

LIABILITY AND INDEMNITY

NFC's liability to FERTIL, arising out of this Agreement and performance or non-performance of functions by NFC secondees, shall extend to its best efforts for replacement of such secondees if FERTIL asks NFC to do so.

Except as stated in the preceding paragraph, NFC shall in no event be liable to company or to any third party for any loss, damage (including consequential loss and/or indirect damage), personal injury or death sustained by FERTIL (including FERTIL's personnel) or by any third party, arising out of or relating to the performance by or on behalf of NFC of its obligations under this Agreement.

NFC shall keep FERTIL both during the currency of this agreement and after its termination indemnified against any claim, demand, action or proceedings brought or instituted against FERTIL by any secondee howsoever arising excluding the negligence of FERTIL.

ARTICLE 8

CONFIDENTIAL INFORMATION

Information provided by FERTIL to any NFC secondee or by NFC to FERTIL in connection with this AGREEMENT and which has been identified by the party providing such information in writing as proprietary or confidential information shall be used by the party receiving such information only in connection with FERTIL's operations or in connection with the services performed by NFC or NFC secondees under this AGREEMENT, as the case may be and shall not be used for any other purpose, except with the prior written consent of the party who provided such information.

ARTICLE 9

ASSIGNMENT AND DELEGATION

Neither party shall have the right to assign or transfer its rights and obligations under this AGREEMENT without the prior written consent of the other.

ARTICLE 10

TERMINATION OF AGREEMENT

FERTIL and NFC may terminate this AGREEMENT by mutual consultations upon six (6) months advance notice.

ARTICLE 11

DURATION OF AGREEMENT

This AGREEMENT shall be valid for a period of five (5) years from the date of its signing and shall be extendable as may be mutually agreed by the parties. This AGREEMENT is subject, however, to the conditions for earlier termination specified in Article 10.

ARTICLE 12

FORCE MAJEURE

No failure or omission by any party to carry out or observe any of the stipulations or conditions of this AGREEMENT shall give rise to any claim against the party in question or be deemed a breach of this AGREEMENT if such failure or omission arises from any cause beyond the control of that party which is generally considered as Force Majeure.

ARTICLE 13

GOVERNING LAW AND SETTLEMENT OF DISPUTES

13.1 Governing Law

The construction, validity and performance of this AGREEMENT shall be governed by the Laws in force in the Emirate of Abu Dhabi and the Federal Law of the United Arab Emirates.

13.2 Settlement of Disputes

Any dispute, claim or controversy arising out of or related to this agreement or breach thereof, shall be referred to the parties for an amicable settlement. In the event such referred fails, the dispute, claim or controversy thereof shall be referred to the

Chairman of FERTIL's Board of Directors and the Chairman of NFC for settlement.

ARTICLE 14

LANGUAGE

English shall be the language of this AGREEMENT and the language used in relation to the various contracts as well as at site and in the offices.

ARTICLE 15

NOTICES

15.1 Manner of Notices

All notices, notifications, submissions, approvals or other communications (hereafter referred to as "notices") which may be or are required to be given hereunder shall be in writing and shall be deemed to have been properly and effectively given and delivered in person to any authorised representative of the party whose name and address shall have been noticed by the party in accordance with this ARTICLE, or when sent by mail or telegram or telex (and in the latter two cases confirmed by mail) to the party's address as specified hereunder. Notices given by mail shall be deemed to have been received fifteen (15) days after the date of posting. Parties hereto may notify change of addresses or additional addresses in accordance with this ARTICLE, and any such address shall upon receipt of such notice by the other party become the address or an additional address for service of notices hereunder.

15.2 Addresses

For the purpose of service of notices the representative addresses of FERTIL and NFC are:

FERTIL	(Mail)	RUWAIS FERTILIZER INDUSTRIES P.O.Box 6159 Abu Dhabi United Arab Emirates
	(Telex)	24205 FERTIL EM
NFC	(Mail)	NATIONAL FERTILIZER CORPORATION OF PAKISTAN Al Falah Building P.O.Box 1730 Shahrah-E-Quaid-E-Azam Lahore Pakistan
	(Telex)	44726 NFC PK

RUWAIS FERTILIZER INDUSTRIES
(FERTIL)

BELKACEM BELARBI
GENERAL MANAGER

RUWAIS FERTILIZER INDUSTRIES
FERTIL

NATIONAL FERTILIZER CORPORATION OF
PAKISTAN (NFC)

RIYAZ H. BOKHARI
CHAIRMAN

Annex 1

SECONDMENT NOTICE

The deputation notice is issued in accordance with Article 2.2 and 2.4 of this Agreement between FERTIL and NFC for the deputation of NFC personnel to FERTIL, signed on and entered into force on under which the hereunder named deputationist is assigned to duties within FERTIL.

Request for deputation concerned :

Name of deputationist :

Selection of the nominee reference :

Post designation :

Grade :

Status of deputationist :

Place of work :

Duration of deputation :

Salary in Pakistan :

NFC Authorised Representative

Commencement date of deputation :

FERTIL Authorised Representative

According to Article 2.2 and 2.3 the commencement date is the date when the deputationist resume duty and indicated on the joining report and the final acceptance of the deputationist is subject to medical examination in Abu Dhabi and a probationary period of three months commencing on the commencement date.

MONTHLY CHARGES AND ACCOMMODATION LEVEL

GRADE	MONTHLY CHARGES			ACCOMMODATION LEVEL
	BASIC SALARY Dhs/Month	SUPPLEMENTAL ALLOWANCE Dhs/Month	TOTAL Dhs/Month	
7	2775	485	3260	C
8	3210	560	3770	C
9	3705	640	4345	C
10	4275	735	5010	C
11	5415	1400	6815	B
12	6145	1700	7845	B
13	6975	2000	8975	B
14	7880	2200	10080	A
15	8910	2300	11210	A
16	9980	2400	12380	A

PRODUCTION/CAPACITY UTILIZATION OF PAKARAB FERTILIZERS LIMITED FROM 1979-80 TO 1986-87

	NP	CAN	UREA
1979-80			
Production	137,250	198,999	43,703
Design capacity utilization %	45.1	44.2	73.6
1980-81			
Production	171,209	272,671	47,963
Design capacity utilization %	56.2	60.6	80.8
1981-82			
Production	210,510	321,391	49,784
Design capacity utilization %	69.1	71.4	83.8
1982-83			
Production	238,352	339,380	50,500
Design capacity utilization %	78.3	75.4	85.0
1983-84			
Production	316,450	383,011	49,803
Design capacity utilization %	103.9	85.1	83.3
1984-85			
Production	308,306	406,357	47,285
Design capacity utilization %	101.2	90.3	79.6
1985-86			
Production	322,992	394,255	34,735
Design capacity utilization %	106.1	87.6	-**
1986-87 (Upto Dec.1986)			
Production	167,617	206,608	47,032
Design capacity utilization	110.1	91.8	101.8

** (Commissioning and start-up of New Urea Plant)

BALANCE SHEET

	1980 Rupees	1979 Rupees
FIXED CAPITAL EXPENDITURE		
Fixed assets	1,758,966,907	1,862,373,396
Capital work-in-progress, at cost	11,655,246	5,534,045
	1,770,622,153	1,867,907,441
PRELIMINARY EXPENSES	509,193	509,193
INVESTMENT IN ASSOCIATED COMPANY		
10,000 ordinary shares of Rs.10 each of National Fertilizer Marketing Ltd	100,000	100,000
DEFERRED COSTS	1,051,285	2,108,762
CURRENT ASSETS		
Stores and spares	222,650,585	175,443,712
Stock-in-trade	70,108,899	49,259,288
Trade receivables	1,393,527	1,354,457
Due from associated companies and state enterprises.	3,293,364	933,017
Subsidy receivable from GOP	418,419,837	16,271,000
Other receivables	6,600,832	3,313,725
Advances, deposits & prepayments	13,942,626	10,254,833
Deferred costs	1,602,815	2,754,578
Cash and bank balances	64,921,438	44,602,163
	802,932,923	304,186,773
	2,575,215,554	2,174,812,169
AUTHORISED CAPITAL		
100,000,000 ordinary shares of Rs.10 each.	1,000,000,000	1,000,000,000
ISSUED,SUBSCRIBED & PAID UP CAPITAL		
Ordinary shares of Rs.10 each		
59,944,000 shares for cash	559,440,000	599,440,000
4,670,000 shares for consideration other than cash.	46,700,000	46,700,000
	646,140,000	646,140,000
RESERVES		
Capital	10,183,555	-
Revenue	261,613,482	(74,232,610)
	271,797,037	(74,232,610)
LONG-TERM & DEFERRED LIABILITIES		
Unsecured loans	1,145,463,760	1,210,642,677
Provision for staff gratuity	14,388,394	13,297,523
	1,159,852,154	1,223,940,200
CURRENT LIABILITIES AND PROVISIONS		
Secured loan	60,000,000	35,000,000
Current maturity of long-term loans	151,951,390	136,009,625
Bank borrowings	64,936,595	64,086,228
Due to associated companies & other state enterprises	5,170,323	34,579,513
For goods and services supplied	45,265,048	31,999,916
For expenses	56,060,707	37,039,446
For other finance	49,934,786	39,723,932
Workers' profit participation fund	15,647,014	75,919
Taxation	-	450,000
Proposed dividend	48,460,500	-
	497,426,368	378,964,579
	2,575,215,554	2,174,812,169

PAKARAB FERTILIZERS (PRIVATE) LIMITED
BALANCE SHEET AS AT JUNE 30, 1982

	1982 Rupees	1981 Rupees
FIXED CAPITAL EXPENDITURE		
Fixed assets	1,361,525,694	1,465,394,199
Capital work-in-progress, at cost	56,105,266	928,054
	1,417,630,960	1,466,322,253
INVESTMENT IN ASSOCIATED COMPANY		
10,000 ordinary shares of Rs.10 each of National Fertilizer Marketing Ltd.	100,000	100,000
DEFERRED COSTS	937,737	862,509
CURRENT ASSETS		
Stores and spares	371,915,297	342,321,674
Stock-in-trade	94,487,664	118,285,124
Trade receivables	144,396,565	2,946,200
Due from associated companies and state enterprises.	12,204,495	20,660,915
Subsidy from Government of Pakistan	169,310,155	548,063,547
Other receivables	10,219,822	9,336,685
Advances, deposits & prepayments	11,824,948	15,859,692
Deferred costs	2,426,200	1,396,248
Cash and bank balances	352,880,738	150,785,848
	1,169,665,884	1,209,655,933
	2,588,334,581	2,676,940,695
CAPITAL AND RESERVES		
Share capital		
Authorised		
100,000,000 ordinary shares of Rs.10 each.	1,000,000,000	1,000,000,000
Issued, subscribed and paid up.		
Ordinary shares of Rs.10 each		
59,944,000 shares for cash	599,440,000	599,440,000
4,670,000 shares for consideration other than cash.	46,700,000	46,700,000
	646,140,000	646,140,000
Reserves		
Capital	36,289,508	202,265
Revenue	546,060,886	443,310,886
Unappropriated profit	767	9,892,482
	582,351,161	453,405,633
	1,228,491,161	1,099,545,633
LONG-TERM AND DEFERRED LIABILITIES		
Unsecured loans	819,375,008	876,376,756
Provision for staff gratuity	12,867,275	16,520,517
Deferred taxation	-	-
	832,242,283	892,897,273
CURRENT LIABILITIES AND PROVISIONS		
Secured loan	-	60,000,000
Current maturity of loan term loans	169,690,000	149,451,000
Bank borrowings-secured by hypothecation of current assets	-	137,996,016
Due to associated companies and state enterprises	4,857,064	367,920
For goods supplied	60,664,966	56,514,272
For expenses	33,952,076	51,066,257
For other finance	8,541,962	52,889,027
Workers' participation fund	22,975,301	30,831,797
Taxation	129,998,768	-
Proposed dividend	96,921,000	96,921,000
Unpaid dividend	-	48,460,000
	527,601,137	684,497,789

BALANCE SHEET

	1984 Rupees	1983 Rupees
FIXED CAPITAL EXPENDITURE		
Fixed assets	1,042,502,427	1,252,808,701
Capital work-in-progress	38,452,768	11,731,896
	1,080,955,195	1,264,540,597
INVESTMENTS, at cost		
139,986 fully paid ordinary shares of Rs.10 each of National Fertilizer Marketing Limited (1983: 9,999)	100,000	100,000
DEFERRED COSTS	189,173	-
CURRENT ASSETS		
Stores and spares	401,083,485	371,460,548
Stock-in-trade	217,471,228	126,813,942
Trade receivables	281,394,121	227,553,176
Due from associated companies & state enterprises	4,297,265	5,805,140
Receivable from GOP, net	-	53,889,567
Other receivables	9,399,683	10,833,985
Advances,deposits and prepayments	10,594,573	11,560,238
Deferred costs	3,260,603	1,250,024
Cash and bank balances	234,951,181	344,740,874
	1,162,452,139	1,153,907,494
	2,243,696,507	2,418,548,091
CAPITAL AND RESERVES		
Share capital		
Authorised		
100,000,000 ordinary shares of Rs.10 each	1,000,000,000	1,000,000,000
Issued, subscribed and paid up		
Ordinary shares of Rs.10 each		
59,944,000 shares for cash	599,440,000	599,440,000
4,670,000 shares for consideration other than cash.	46,700,000	46,700,000
	646,140,000	646,140,000
Reserves		
Capital	39,849,862	39,512,886
Reserve for issue of bonus shares	96,921,000	96,921,000
Revenue	42,000,000	92,000,000
Unappropriated profit	17,544	82,765
	178,788,406	228,516,651
	824,928,406	874,656,651
LONG-TERM AND DEFERRED LIABILITIES		
Unsecured loans	525,483,198	686,302,798
Provision for deferred taxation	211,000,000	271,000,000
Provision for staff gratuity	17,275,420	14,283,571
	753,758,618	971,586,369
CURRENT LIABILITIES		
Current portion of long-term loans	173,050,000	167,969,000
Due to associated companies & state ent.	2,511,852	448,278
For goods supplied	88,197,940	74,656,421
For expenses	32,490,615	31,131,727
For other finance	34,848,655	9,588,573
Provision for workers' participation fund	19,547,559	10,739,974
Provision for taxation	23,599,862	132,389,598
Proposed dividend	290,763,000	145,381,500
	665,009,483	572,305,071
	2,243,696,507	2,418,548,091

PAKARAB FERTILIZERS (PRIVATE) LIMITED

BALANCE SHEET

	1986 Rupees	1985 Rupees
FIXED CAPITAL EXPENDITURE		
Fixed Assets	1,060,206,250	859,629,470
Capital work-in-progress	4,609,001	181,840,332
	1,064,815,251	1,041,469,802
LONG-TERM INVESTMENTS	20,350,000	2,100,000
LONG-TERM AND ADVANCES	805,785	607,479
LONG-TERM DEPOSITS AND PREPAYMENTS	180,237	54,794
DEFERRED COSTS	41,411,482	32,908,375
CURRENT ASSETS		
Stores and spares	389,605,071	391,739,441
Stock-in-trade	85,895,217	194,341,962
Trade debts	128,172,337	214,673,898
Receivable from Govt. of Pakistan	437,329,707	258,232,277
Advances, deposits, prepayments and other receivables.	46,662,551	23,642,849
Cash and bank balances	126,184,254	23,086,084
	1,213,849,137	1,105,716,511
LESS:		
CURRENT LIABILITIES		
Current portion of long-term loans	188,977,000	195,136,000
Short term running of finance secured	43,920,643	17,466,546
Creditors, accrued & other liabilities	301,057,730	224,337,340
Provision for taxation	42,760,092	143,365,138
Proposed dividend	111,459,150	111,459,150
	688,194,615	691,764,174
	525,644,522	
	1,653,217,277	
FINANCED BY		
SHARE CAPITAL AND RESERVES		
Authorised capital 10,000,000 ordinary share of Rs.10 each.	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	743,061,000	743,061,000
Reserves	81,849,862	81,849,862
Unappropriated profit	76,874,366	168,595
	901,785,228	825,079,457
LONG-TERM AND DEFERRED LIABILITIES		
Unsecured loans	607,843,780	504,776,049
Deferred taxation	130,000,000	151,000,000
Staff gratuity	13,588,269	10,237,279
	751,432,049	666,013,328
	1,653,217,277	