

Ref. No. 11.8/Secc/C

Dated: 29 Jan 2015

The General Manager
Karachi Stock Exchange (Guarantee) Limited
Stock Exchange Building, Stock Exchange Road,
Karachi

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The General Manager
Lahore Stock Exchange (Guarantee) Limited
19-Khayaban-e-Iqbal,
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The General Manager
Islamabad Stock Exchange (Guarantee) Limited
ISE Towers, 55-B, Jinnah Avenue,
Islamabad

Fax # 111-473-329
quotation@ise.com.pk

Securities and Exchange Commission of Pakistan
NIC Building, Jinnah Avenue, Blue Area
Islamabad

Subject: **Financial Results – Annual Accounts 2014**

Dear Sir,

1. We have to inform you that the Board of Directors of our Company in their meeting, held at Rawalpindi on 29 Jan 2015, recommended the following:-

CASH DIVIDEND

Final cash dividend for the period ended 31 Dec 2014 at Rs 2.25 per share i.e., 22.5 %.

2. Copy of subject accounts is attached.
3. The cash dividend will be paid / issued to the shareholders, whose names appear in the register of the members as on 19 Mar 2015.
4. The share transfer books of the Company will be closed from 20 – 26 Mar 2015 (both days inclusive). Transfers received at Corplink Pvt Ltd, Wings Arcade, 1-K, Commercial, Model Town, Lahore at the close of business on 19 Mar 2015 will be treated in time for the purpose of above entitlement to the transferees.
5. We will be sending you printed copies of subject accounts for distribution amongst the members of the Exchange in due course.

Regards



Brig Muhammad Azam, SI(M), (Retd)
Company Secretary

Fauji Fertilizer Bin Qasim Limited
Balance Sheet
As at December 31, 2014

	Note	2014 (Rupees '000)	2013 (Rupees '000)
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Accumulated profit		3,502,187	3,273,456
		<u>13,071,637</u>	<u>12,842,906</u>
NON-CURRENT LIABILITIES			
Long term loans	6	10,000,000	-
Deferred government assistance	7	-	584,119
Deferred liabilities	8	3,276,805	3,457,671
		<u>13,276,805</u>	<u>4,041,790</u>
CURRENT LIABILITIES			
Trade and other payables	9	13,860,083	8,380,950
Mark - up accrued	10	233,141	236,052
Short term borrowings	11	3,087,407	7,985,128
Current portion of deferred government assistance	7	1,944,600	2,008,682
Provision for income tax - net		775,158	724,467
		<u>19,900,389</u>	<u>19,335,279</u>
NON-CURRENT ASSETS			
Property, plant and equipment	13	12,202,673	13,059,509
Long term investments	14	12,130,788	8,921,985
Long term deposits		78,643	78,643
		<u>24,412,104</u>	<u>22,060,137</u>
CURRENT ASSETS			
Stores and spares	15	2,337,205	2,107,493
Stock in trade	16	1,557,296	1,129,257
Trade debts	17	1,466,063	1,603,643
Advances	18	880,687	572,966
Trade deposits and short term prepayments	19	28,097	29,877
Interest accrued		17,633	19,729
Other receivables	20	514,226	705,513
Sales tax refundable		760,734	190,691
Short term investments	21	9,230,117	5,323,136
Cash and bank balances	22	5,044,669	2,477,533
		<u>21,836,727</u>	<u>14,159,838</u>
		<u>46,248,331</u>	<u>36,219,975</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 37 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

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Fauji Fertilizer Bin Qasim Limited
 Profit and Loss Account
 For the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013
Sales - net	23	49,445,256	54,455,168
Cost of sales	24	(38,353,303)	(39,942,664)
GROSS PROFIT		11,091,953	14,512,504
Selling and distribution expenses	25	(3,314,074)	(3,452,539)
Administrative expenses	26	(1,317,635)	(1,048,037)
		6,460,244	10,011,928
Finance cost	27	(1,312,944)	(1,514,931)
Other operating expenses	28	(429,820)	(638,559)
		4,717,480	7,858,438
Other income	29	1,062,774	680,868
PROFIT BEFORE TAXATION		5,780,254	8,539,306
Taxation	30	(1,763,928)	(2,741,285)
PROFIT AFTER TAXATION		4,016,326	5,798,021
Earnings per share - basic and diluted (Rupees)	31	4.30	6.21

The annexed notes 1 to 37 form an integral part of these financial statements.


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR

Fauji Fertilizer Bin Qasim Limited
 Statement of Comprehensive Income
 For the year ended December 31, 2014

	2014	2013
Note	(Rupees '000)	
Profit after taxation	4,016,326	5,798,021
Other comprehensive income		
Actuarial losses	9 (51,155)	(39,275)
Total comprehensive income	3,965,171	5,758,746

The annexed notes 1 to 37 form an integral part of these financial statements.

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 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR

Fauji Fertilizer Bin Qasim Limited
Cash Flow Statement
For the year ended December 31, 2014

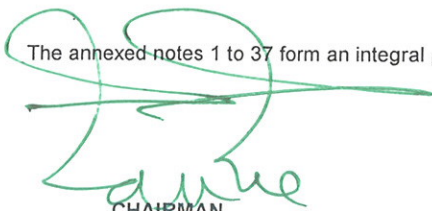
	Note	2014 (Rupees '000)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	12,211,576	14,458,830
Finance cost paid		(1,299,329)	(1,183,287)
Taxes paid		(1,929,904)	(2,852,600)
Payment to gratuity fund		(95,228)	(42,596)
Compensated absences paid		(40,697)	(23,551)
Payment to Workers' (Profit) Participation Fund		(339,807)	(417,042)
Net cash generated from operating activities		8,506,611	9,939,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(530,995)	(619,069)
Long term investment		(3,208,803)	(6,194,201)
Proceeds from sale of property, plant and equipment		18,796	17,716
Long term deposits		-	(2,331)
Dividend received from associates		300,009	23,438
Short term investments		(3,236,902)	(3,892,175)
Profit received on bank balances and term deposits		246,655	421,109
Net cash used in investing activities		(6,411,240)	(10,245,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		10,000,000	-
Deferred government assistance		(648,201)	(648,201)
Short term borrowing - net		(5,600,000)	3,755,000
Dividend paid		(3,752,313)	(4,475,942)
Net cash used in financing activities		(514)	(1,369,143)
Net increase/(decrease) in cash and cash equivalents		2,094,857	(1,674,902)
Cash and cash equivalents at beginning of the year		3,042,405	4,717,307
Cash and cash equivalents at end of the year		5,137,262	3,042,405

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

- Cash and bank balances	22	5,044,669	2,477,533
- Short term highly liquid investments	21	1,430,000	1,200,000
- Short term running finance		(1,337,407)	(635,128)
		5,137,262	3,042,405

The annexed notes 1 to 37 form an integral part of these financial statements.


CHAIRMAN

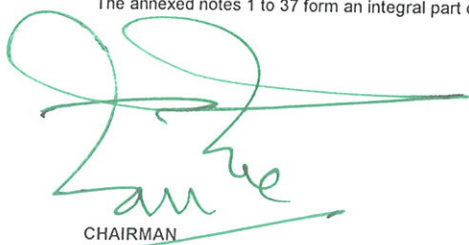

CHIEF EXECUTIVE


DIRECTOR

Faajr Fertilizer Bin Qasim Limited
Statement of Changes in Equity
For the year ended December 31, 2014

	Share capital	Reserves		Total
		Capital reserve	Accumulated profit	
		(Rupees ' 0 0 0)		
Balance as at January 01, 2013	9,341,100	228,350	2,185,261	11,754,711
Total comprehensive income				
Profit for the year after taxation	-	-	5,798,021	5,798,021
Other comprehensive income	-	-	(39,275)	(39,275)
Total comprehensive income for the year	-	-	5,758,746	5,758,746
Transactions with owners, recorded directly in equity				
Distributions to owners				
Final dividend 2012 (Rs. 2.25 per ordinary share)	-	-	(2,101,748)	(2,101,748)
First interim dividend 2013 (Rs. 1.75 per ordinary share)	-	-	(1,634,693)	(1,634,693)
Second interim dividend 2013 (Re. 1 per ordinary share)	-	-	(934,110)	(934,110)
Total transactions with owners	-	-	(4,670,551)	(4,670,551)
Balance as at December 31, 2013	9,341,100	228,350	3,273,456	12,842,906
Balance as at January 01, 2014	9,341,100	228,350	3,273,456	12,842,906
Total comprehensive income				
Profit for the year after taxation	-	-	4,016,326	4,016,326
Other comprehensive income	-	-	(51,155)	(51,155)
Total comprehensive income for the year	-	-	3,965,171	3,965,171
Transactions with owners, recorded directly in equity				
Distributions to owners				
Final dividend 2013 (Rs. 2.25 per ordinary share)	-	-	(2,101,747)	(2,101,747)
First interim dividend 2014 (Re. 1 per ordinary share)	-	-	(934,110)	(934,110)
Second interim dividend 2014 (Re. 0.75 per ordinary share)	-	-	(700,583)	(700,583)
Total transactions with owners	-	-	(3,736,440)	(3,736,440)
Balance as at December 31, 2014	9,341,100	228,350	3,502,187	13,071,637

The annexed notes 1 to 37 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer (Private) Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984, and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The registered office of the Company is situated at Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000.

2. BASIS OF PREPARATION

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

Consequent to preparation of consolidated financial statements by consolidating Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited, the Company has prepared its separate financial statements for the first time for the year ended December 31, 2014 and also presented corresponding figures for the year ended December 31, 2013. This has resulted in all equity accounted investments to be carried at cost.

Prior to the year ended December 31, 2014, the Company in its individual financial statements accounted for its investments in associates and joint controlled entity using the equity method of accounting. Consequent to the preparation of separate financial statements as mentioned above, the Company now accounts for those investments at cost as more fully explained in note 3.5.

The results of the Company based on investments in associates and jointly controlled entity accounted for under the equity method are reflected in the consolidated financial statements of the Company.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff retirement gratuity and compensated absences which are carried at present value of defined benefit obligation net of fair value of plan assets.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupee has been rounded to the nearest thousand.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

2.5.1 Staff retirement gratuity

Defined benefit plan is provided for permanent employees of the Company. The plan is typically structured as a separate legal entity managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

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2.5.2 Property, plant and equipment

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

2.5.3 Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stock, stores and spares on a regular basis and as appropriate inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

2.5.4 Taxation

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

2.5.5 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

2.4.6 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

The Company operates a defined contributory provident fund for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund both by the Company and employees at the rate of 10% of basic pay. The Company's contribution is charged to income for the year.

Gratuity Fund - Defined Benefit Scheme

The Company operates a defined benefit funded gratuity for all employees who complete qualifying period of service and age. The Fund is administered by trustees. Contribution to the fund is made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 9.2. Amount determined by the actuary as charge for the year is included in profit and loss account for the year.

Compensated absences

The Company grants compensated absences to all its employees in accordance with the rules of the Company. Under this unfunded scheme, regular employees are entitled maximum 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 120 days which are encashable at the time of separation from service on the basis of last drawn gross salary. Provisions are made in accordance with the actuarial recommendation. Actuarial valuation is carried out using the Projected Unit Credit Method in respect of provision for compensated absences.

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3.2 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income in which case it is recognized in other comprehensive income.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.3 Fixed assets

3.3.1 Property, plant and equipment and capital work in progress

Property, plant and equipment except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated on the straight line method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

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3.3.2 Intangibles

Intangibles are stated at the cash price equivalent of the consideration given, i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

3.4 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit or loss.

3.5 Investments

3.5.1 Investments in subsidiaries

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors.

Investments in subsidiaries are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.5.2 Investments in associates and jointly controlled entities

Associates are those entities in which the company has significant influence, but not control over the financial and operating policies. Joint venture are those entities over whose activities the company has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operationg decisions.

Investments in associates and jointly controlled entities are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.5.3 Investments at fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit or loss-held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account.

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3.9 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company derecognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments.

Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

Trade debts and other receivables

Trade debts and other receivables are due on normal trade terms. These are stated at amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances, short term highly liquid investments and short term running finance.

3.11 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.4.

3.12 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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3.13 Dividends

Dividend is recognized as a liability in the period in which it is declared

3.14 Foreign currency

Foreign currency transactions

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Exchange differences are included in profit and loss account for the year.

3.15 Revenue recognition

Sale

Sales revenue is recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns, commission and trade discounts.

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognized on realized amounts on accrual basis.

3.16 Basis of allocation of common expenses

The Fauji Fertilizer Company Limited under an agreement, allocates on a proportionate basis common selling and distribution expenses being the cost incurred and services rendered on behalf of the Company under an inter company

3.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gain on disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date when the Company's right to receive the payment is established.

Finance costs comprise interest expense on borrowings, changes in the fair value of held for trading investments and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

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3.19 New accounting standards and IFRIC interpretations

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The management has not completed its assessment of any potential impact of IFRS 10.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not like to have an impact on Company's financial statements.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The management is evaluating the option of equity accounting in the separate financial statements as allowed under amendments to IAS 27.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

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- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards. These are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
 - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
 - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. These are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for
 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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Financial Statements of Fauj
Fertilizer Company Limited (Public Company)
For the year ended December 31, 2014

	2014	2013
	(Rupees 000)	
4. SHARE CAPITAL:		
4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
934,110,000 Ordinary shares of Rs. 10 each issued for cash	<u>9,341,100</u>	<u>9,341,100</u>
4.2 Fauj Fertilizer Company Limited and Fauj Foundation held 465,891,896 and 170,842,388 (2013: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end		
4.3 AUTHORIZED SHARE CAPITAL		
1,100,000,000 Ordinary shares of Rs. 10 each	<u>11,000,000</u>	<u>11,000,000</u>
5. CAPITAL RESERVE		
This represents share premium of Rs. 5 per share received on public issue of 45,670 thousand ordinary shares in 1996.		

WMA

2014 2013

(Rupees '000)

6 LONG TERM LOANS

10,000,000

6.1 LOANS FROM BANKING COMPANIES SECURED

MCB Bank Limited	3,000,000	-
Allied Bank Limited	3,500,000	-
Bank Alfalah Limited	1,000,000	-
Bank Alhabib Limited	1,000,000	-
Meezan Bank Limited	1,500,000	-
	<u>10,000,000</u>	<u>-</u>

Terms and Conditions of these loans are as follows

Lenders	Markup Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
MCB Bank Limited	3 Month KIBOR + 0.50	12 quarterly	November 2016	September 2019
Allied Bank Limited	3 Month KIBOR + 0.50	12 quarterly	December 2016	September 2019
Bank Alfalah Limited	6 Month KIBOR + 0.50	6 half yearly	March 2017	September 2019
Bank Alhabib Limited	3 Month KIBOR + 0.50	12 quarterly	December 2016	August 2019
Meezan Bank Limited	3 Month KIBOR + 0.15	1 at maturity	March 2016	March 2016

The Company has long term loan facilities aggregating to Rs. 10,000,000 thousand (2013: Rs. Nil). These are secured against ranking charge over current and fixed assets of the Company and carry mark up ranging between 10.34% to 10.68% per annum (2013: Nil).

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Fang Fertilizer Bin Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013
7. DEFERRED GOVERNMENT ASSISTANCE - UNSECURED			
Government of Pakistan (GoP) loan	7.1	1,925,179	2,514,867
Less: Current portion shown under current liabilities		1,944,600	2,008,682
		<u>(19,421)</u>	<u>506,185</u>
Deferred Government Assistance	7.1	19,421	77,934
		<u>-</u>	<u>584,119</u>

7.1 This represents balance amount of GoP loan amounting in total of Rs. 9,723,015 thousand which is repayable in equal installments in 15 years with 1 year grace at zero percent effective November 30, 2001. As per restructuring agreement, final installment will be paid in June 2017. This loan in accordance with International Accounting Standard-39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortised to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs. 58,512 thousand.

Under the terms of restructuring with GoP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by the Company with GoP through prepayment of GoP loan. In this regard the Company appointed M/s A. F. Ferguson & Co, Chartered Accountants, as third party auditor selected by Ministry of Finance (MoF) as per the provisions of GoP letter dated May 10, 2002 for the examination of the Company's financial record relating to the Company's determination of the amount of excess cash and prepayment to GoP. The draft report of consultant is under consideration and has been submitted to MoF for review and concurrence. Notwithstanding, a provisional amount of Rs. 1,360,481 thousand has been transferred to current portion as prepayment of GoP loan on the basis of excess cash determination mechanism as per GoP letter. The Company is in the process of finalizing the determination with GoP.

Loans from Export Credit Agencies (ECA), which were assumed by GoP, were initially secured by a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions, which guarantee is secured by first equitable mortgage created on all immovable properties of the Company and by way of hypothecation of movable properties of the Company. The charge ranks pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Company to obtain an indemnity from GoP confirming that it is GoP's absolute obligation to indemnify and keep related banks and financial institutions harmless from any possible exposure on this account. Accordingly, on December 16, 2002, GoP had conveyed its agreement by assuming ECA loan liabilities by absolving related banks and financial institutions of their liabilities for which they earlier issued guarantees to ECA. As a result, three ECA have released the guarantee of HBL and have returned the original documents.

Since one ECA has yet to release HBL from its responsibility as guarantor therefore, charge related to portion of the said guarantee on assets of the Company has not been vacated up to December 31, 2014. The Company is making efforts in getting this guarantee released.

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Faqr Fertilizer (Pvt) Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013
8. DEFERRED LIABILITIES			
Compensated leave absences	8.1	393,853	358,052
Deferred tax	8.2	2,882,952	3,099,619
		<u>3,276,805</u>	<u>3,457,671</u>

8.1 Compensated leave absences

	2014 (Rupees '000)	2013
The movement in the present value of compensated absences is as follows:		
Opening liability	358,052	227,369
Expense for the year	76,498	99,260
Past service cost	-	54,974
Benefits paid during the year	(40,697)	(23,551)
Closing liability	<u>393,853</u>	<u>358,052</u>

The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate - per annum	13.50%	11.50%
Expected rate of increase in salaries - per annum	13.50%	11.50%
Leave accumulation factor - days	10	10
Mortality table	SLIC-2001-2005	SLIC-2001-2005
Withdrawal factor	Low	Low
	2014	2013

8.2 The balance of deferred tax is in respect of the following major taxable temporary differences:

	2014 (Rupees '000)	2013
Accelerated depreciation	2,940,894	3,155,906
Provision for inventory obsolescence	(57,942)	(56,287)
	<u>2,882,952</u>	<u>3,099,619</u>

8.2.1 The movement of deferred tax during the current year is as follows:

	2014	2013
Opening balance	3,099,619	3,446,806
Reversal for the year	(216,667)	(347,187)
Closing balance	<u>2,882,952</u>	<u>3,099,619</u>

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Fauji Fertilizer Bin Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

		2014	2013
	Note	(Rupees '000)	
9. TRADE AND OTHER PAYABLES			
Creditors		8,383,469	4,409,906
Accrued liabilities		1,907,306	1,741,215
Advances from customers		1,698,215	527,137
Workers' (Profit) Participation Fund - unsecured	9.1	29,743	58,802
Payable to gratuity fund - unsecured	9.2	198,228	173,653
Workers' Welfare Fund		1,066,331	948,917
Unclaimed dividend		287,278	303,149
Withholding tax payable		-	9,087
Other payables		289,513	209,084
		<u>13,860,083</u>	<u>8,380,950</u>
9.1 Workers' (Profit) Participation Fund			
Balance at beginning of the year		58,802	16,824
Interest on funds utilised in the Company's business		345	218
Allocation for the year	28	310,403	458,802
		<u>369,550</u>	<u>475,844</u>
Payment made during the year		(339,807)	(417,042)
		<u>29,743</u>	<u>58,802</u>

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9.2 GRATUITY FUND

The Company operates a defined benefit plan comprising a funded gratuity scheme for its permanent employees. The fund for gratuity is administered by trustees.

	2014	2013
	(Rupees '000)	
The amount recognised in the balance sheet is as follow:		
Present value of defined benefit obligation	574,512	466,617
Fair value of plan assets	(376,284)	(292,964)
Deficit	<u>198,228</u>	<u>173,653</u>
The movement in the present value of defined benefit obligation is as follows:		
Defined benefit obligation at beginning of the year	466,617	373,646
Current service cost	57,168	44,130
Interest cost	57,277	41,266
Past service cost	-	(5,278)
Benefits paid during the year	(52,048)	(29,620)
Actuarial loss on obligation	45,498	42,473
Present value of defined benefit obligation at end of the year	<u>574,512</u>	<u>466,617</u>
The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	292,964	249,770
Expected return on plan assets	41,191	27,020
Contributions	99,834	42,596
Benefits paid during the year	(52,048)	(29,620)
Actuarial (loss)/gain on plan assets	(5,657)	3,198
Fair value of plan assets at end of the year	<u>376,284</u>	<u>292,964</u>
Plan assets comprise of:		
Investment in listed securities	73,669	49,698
Investment in mutual funds	64,831	-
Investment in term finance certificates	-	26,509
Cash and bank balances	237,784	216,757
	<u>376,284</u>	<u>292,964</u>
Actual return on plan assets	<u>35,534</u>	<u>30,218</u>
Contributions expected to be paid to the plan during the next financial year	<u>86,960</u>	<u>71,932</u>

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Company, at the beginning of the year, for returns over the entire life of the related obligations.

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Company's Financial Statements
 Notes to Financial Statements
 For the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
Movement in liability recognised in the balance sheet:		
Opening liability	173,653	173,676
Expense for the year:	68,648	53,098
Other comprehensive income	51,155	39,275
Contributions	(95,228)	(42,596)
Closing liability	<u>198,228</u>	<u>173,653</u>
Amount recognised in the profit and loss account is as follows:		
Current service cost	52,562	44,130
Net interest	16,086	14,246
Past service cost	-	(5,278)
	<u>68,648</u>	<u>53,098</u>
The expense is recognised in the following line items in the profit and loss account:		
Cost of sales	50,242	41,826
Administrative expenses	18,406	11,272
	<u>68,648</u>	<u>53,098</u>

Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the last five years is as follows:

	2014	2013	Restated 2012	2011	2010
	(Rupees '000)				
Present value of defined benefit obligation	574,512	466,617	373,646	287,097	227,224
Fair value of plan assets	(376,284)	(292,964)	(249,770)	(196,583)	(143,278)
Deficit	<u>198,228</u>	<u>173,653</u>	<u>123,876</u>	<u>90,514</u>	<u>83,946</u>
Experience adjustments					
-on obligations - loss	45,498	42,473	24,193	2,799	36,132
- on plan assets - gain / (loss)	(5,657)	3,198	11,490	(3,090)	4,352

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2014 are as follows:

	2014	2013
Discount rate	12.00%	13.00%
Expected rate of salary growth	12.00%	13.00%
Expected rate of return on plan assets	12.00%	13.00%
Mortality rate	SLIC-2001-2005	SLIC-2001-2005
Withdrawal factor	Low	Low

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

Effect in millions of Rupees	Defined benefit obligation	
	1 percent increase	1 percent decrease
Discount rate	(57.41)	67.27
Salary increase rate	69.37	(60.09)

As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation by Rs. nil thousand.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions

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Fauji Fertilizer Bin Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013
10. MARK - UP ACCRUED			
Short term borrowings		85,973	236,052
Long term loans		147,168	-
		<u>233,141</u>	<u>236,052</u>
11. SHORT TERM BORROWINGS - SECURED			
From banking companies and financial institutions	11.1	3,087,407	7,985,128
		<u>3,087,407</u>	<u>7,985,128</u>

11.1 The Company has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 13,630,000 thousand (2013: Rs. 22,005,000 thousand). These facilities carry mark-up ranging from 9.90% to 10.59% per annum (2013: 9.20% to 11.19% per annum) and are secured by hypothecation of charge on current and fixed assets of the Company. The purchase prices are repayable on various dates by the Company.

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2014 2013
 (Rupees '000)

12. CONTINGENCIES AND COMMITMENTS

Contingencies

i) Indemnity bonds and undertakings given to the customs authorities for machinery imported by the Company for installation at plant site.	119,650	119,650
ii) Guarantees issued by banks on behalf of the Company.	60,692	29,698
iii) Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30,2014	22,250	21,764
iv) Company's share of contingent liabilities of Foundation Wind Energy-I Limited-(FEW-I) as at September 30,2014	62,873	69,619
v) Company's share of contingent liabilities of Foundation Wind Energy-II (Private) Limited-(FWE-II) as at September 30,2014	62,873	60,975
vi) Company's share of contingent liabilities of Askari Bank Limited as at September 30,2014	34,965,631	35,378,051

Commitments

i) Capital expenditures - contracted.	909,849	614,631
ii) Letters of credit for purchase of raw materials and stores and spares.	1,079,418	1,759,208
iii) Commitments with Fauji Foundation for investment in FEW-I & FEW-II.	865,078	3,022,155
iv) Company's share of commitments of Pakistan Maroc Phosphore S.A. Morocco as at September 30,2014	4,623	271,442
v) Commitments on behalf of Fauji Meat Limited.	69,916	-
vi) Commitments on behalf of FFBL Power Company Limited.	5,390,538	-
vii) Company's share of commitments of Fauji Cement Company Limited as at September 30,2014	10,785	-

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13. Property, Plant and Equipment

PROPERTY, PLANT AND EQUIPMENT											INTANGIBLES	
Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 13.1)	Total	(Rupees '000)
(Rupees '000)												
Balance as at January 01, 2013 213,550 120,000 2,095,390 23,479,841 8,144 270,541 74,531 158,018 2,086 326,726 323,109 27,668,736 108,205												
Additions during the year 41,404 - - - - 53,391 12,658 14,201 - 23,882 473,526 619,669 -												
Disposals - - (15,825) - - (30,237) - (217) - - - (30,454) -												
Transfers - - 7,778 273,527 - - - - - - (231,306) - -												
Balance as at December 31, 2013 254,754 120,000 2,087,344 23,703,368 23,969 295,695 87,218 170,002 2,086 350,588 565,329 27,658,351 108,205												
For year ended January 01, 2014 254,754 120,000 2,087,344 23,703,368 23,969 295,695 87,218 170,002 2,086 350,588 565,329 27,658,351 108,205												
Additions during the year - - 38,124 - 5,542 129,985 11,295 5,983 49 2,480 337,577 530,956 -												
Disposals - - - - - (48,753) - (241) - - - (48,994) -												
Transfers - - - - - - - - - - (101,841) - -												
Balance as at December 31, 2014 254,754 120,000 2,125,468 23,805,009 29,511 374,927 98,481 175,724 2,135 353,078 801,265 28,140,352 108,205												
RECONCILIATION												
Balance as at January 01, 2013 83,113 - 582,958 12,08,773 2,880 158,586 31,242 131,033 1,934 146,395 - 13,248,894 96,325												
Additions during the year 5,890 - 62,089 1,09,636 1,987 32,298 11,628 19,679 106 53,866 - 1,377,511 9,280												
Disposals - - (197) - - (25,424) - (139) - - - (25,689) -												
Transfers - - - - - - - - - - - - -												
Balance as at December 31, 2013 88,773 - 645,430 13,278,409 5,044 186,471 42,871 150,543 2,040 200,261 - 14,598,842 105,205												
Additions during the year 88,773 - 645,430 13,278,409 5,044 186,471 42,871 150,543 2,040 200,261 - 14,598,842 108,205												
Disposals 7,488 - 61,894 1,181,531 2,468 54,500 12,553 11,319 40 49,028 - 1,381,801 -												
Transfers - - - - - (42,850) - (81) - - - (42,964) -												
Balance as at December 31, 2014 96,261 - 706,324 14,429,940 7,512 197,088 55,404 161,781 2,080 249,289 - 15,937,679 108,205												
Additions during the year 158,581 120,000 1,411,914 10,424,959 16,925 108,224 44,345 19,459 46 150,527 555,329 13,058,509 -												
Disposals 158,483 120,000 1,417,144 9,345,059 21,999 177,839 43,077 13,943 55 103,189 801,265 12,202,673 -												
Transfers - - - - - - - - - - - - -												
Balance as at December 31, 2014 158,361 120,000 1,417,144 9,345,059 21,999 177,839 43,077 13,943 55 103,189 801,265 12,202,673 -												
Rate of Depreciation 2 to 4% - 3% 5% 10% 20 to 33% 15% 33 to 50% 30% 17 to 50% - 33%												

33%

Fauji Fertilizers Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
13.1 Capital work in progress			
This is made up as follows:			
Plant and machinery including advances to suppliers		238,157	183,612
Civil works		563,106	381,717
		<u>801,263</u>	<u>565,329</u>
13.2 Depreciation and amortization charge has been allocated as follows:			
Cost of sales	24	1,338,780	1,360,967
Administrative expenses	26	43,021	25,824
		<u>1,381,801</u>	<u>1,386,791</u>
		Cost	Book value
			Sale proceeds
		(Rupees '000)	
13.3 Details of property, plant and equipment sold:			
Vehicles			
As per Company policy to employees			
Lt. Gen Muhammad Zaki (Retd)	2,504	2,047	188
Mr. Rao Jamal Hameed	1,739	1,232	1,207
Mr. Usman Ibrahim	1,184	710	481
Insurance claim	1,478	296	1,376
Aggregate of items of property, plant and equipment with individual book value below Rs. 50,000		42,089	1,745
	2014	<u>48,994</u>	<u>6,030</u>
	2013	<u>30,454</u>	<u>17,716</u>
		Note	2014
			2013
		(Rupees '000)	
14. LONG TERM INVESTMENTS			
Joint venture-at cost	14.1	1,411,150	1,411,150
Associated companies-at cost	14.2	7,878,338	7,508,835
Subsidiary companies-at cost	14.3	2,841,300	2,000
Other long term investments	14.4	-	-
		<u>12,130,788</u>	<u>8,921,985</u>

14.1 Cost of this investment is Moroccan Dirhams 200,000 thousand made from 2004 to 2006 which represents 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the shareholders' agreement, if any legal restriction are laid on dividends by Pakistan Maroc Phosphor S.A., the Company's equity will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

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14.2 Associated companies-at cost

2014	2013		Note	2014	2013
Number of Shares		Quoted		Rupees in '000	
18,750,000	18,750,000	Fauji Cement Company Limited	14.2.1	300,000	300,000
271,884,009	#####	Askari Bank Limited	14.2.2	5,230,991	5,230,990
		Unquoted			
74,037,388	74,037,388	Foundation Wind Energy I Limited Shares	14.2.3	740,374	740,374
		Share deposit money		417,156	228,114
				1,157,530	968,488
6,518,103	6,518,103	Foundation Wind Energy II (Private) Limited Shares	14.2.4	651,810	651,810
		Share deposit money		538,007	357,547
<u>371,189,500</u>	<u>371,189,500</u>			<u>1,189,817</u>	<u>1,008,357</u>
				<u>7,876,338</u>	<u>7,508,835</u>

14.2.1 The Company holds 1.36% equity interest in Fauji Cement Company Limited (FCCL) which is less than 20%, however it is concluded that the Company has significant influence due to its representation on the Board of Directors of FCCL. Fair value of investment in FCCL as at December 31, 2014 was Rs. 484,500 thousand (2013: Rs. 299,063 thousand). The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited (formerly Royal Bank of Scotland), remains outstanding or without prior consent of FCCL.

14.2.2 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 271,884 thousand ordinary shares of Rs. 10 each acquired at an average price of Rs. 19.24 per share. Market value of investment in AKBL as at December 31, 2014 was Rs. 6,272,364 thousand (2013: Rs. 3,806,376 thousands).

14.2.3 This represents investment made in Foundation Wind Energy- I Limited (FWE-I), a company established for setting up 49.5 MW wind power plant. Pursuant to Share Holders Agreement dated March 08, 2011 the Company will eventually hold 35% shareholding. Break up value of shares based on unaudited financial information for period ended September 30, 2014 is Rs. 8.47 per share. However, the project is in construction phase and FWE-I is expected to achieve Commercial Operation Date in first quarter of 2015.

14.2.4 This represents investment made in Foundation Wind Energy- II (Private) Limited (FWE-II), a company established for setting up 49.5 MW wind power plant. Pursuant to Share Holders Agreement dated March 08, 2011 the Company will eventually hold 35% shareholding. Break up value of shares based on unaudited financial information for period ended September 30, 2014 is Rs. 87.97 per share. FWE-II has achieved Commercial Operation Date in December 2014.

14.3 Subsidiary companies-at cost

2014	2013		Note	2014	2013
Number of Shares		Unquoted		Rupees in '000	
100,000	100,000	Fauji Meat Limited Shares		1,000	1,000
		Share deposit money		1,199,000	-
			14.3.1	1,200,000	1,000
100,000	100,000	Fauji Foods Limited Shares		1,000	1,000
		Share deposit money		284,197	-
			14.3.2	285,197	1,000
100,000	-	FFBL Power Company Limited Shares		1,000	-
		Share deposit money		1,355,103	-
			14.3.3	1,356,103	-
<u>300,000</u>	<u>200,000</u>			<u>2,841,300</u>	<u>2,000</u>

14.3.1 This represent the Company's investment in 100% equity shares of Fauji Meat Limited (FML). The Company acquired 100,000 ordinary shares of Rs. 10 each in FML for a total consideration of Rs. 1 million. Further the Company has also paid advance / incurred expenses of Rs. 1,199,000 thousand as advance against issue of shares upto December 31, 2014 (2013:Nil). The principal objectives of FML are to establish a meat abattoir unit for Halal Slaughtering of animals to obtain meat for local and export sale.

14.3.2 This represent the Company's investment in 100% equity shares of Fauji Foods Limited (FFL). The Company acquired 100,000 ordinary shares of Rs. 10 each in FFL for a total consideration of Rs. 1 million. Further the Company has also paid advance/ incurred expenses of Rs. 284,197 thousand as advance against issue of shares upto December 31, 2014 (2013:Nil). The principal objectives of FFL are to produce multi brand dairy products.

14.3.3 This represent the Company's investment in 100% equity shares of FFBL Power Company Limited (FPCL). The Company acquired 100,000 ordinary shares of Rs. 10 each in FPCL for a total consideration of Rs. 1 million. Further the Company has also paid advance/ incurred expenses of Rs. 1,355,103 thousand as advance against issue of shares upto December 31, 2014 (2013:Nil). The principal objective of FPCL is to set up a 118MW power project. The company is expected to commence commercial

14.4 The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. Breakup value based on audited accounts for the year ended June 30, 2014 was Rs.0.70 per ordinary share (June 30, 2013: Rs. 4.39). This investment is fully impaired.

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20. First Quarter 2014
 Notes to the Financial Statements
 for the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
15. STORES AND SPARES		
Stores	383,491	347,310
Spare	2,119,264	1,925,733
Provision for obsolescence	(165,550)	(165,550)
	<u>2,337,205</u>	<u>2,107,493</u>
16. STOCK IN TRADE		
Packing materials	56,089	62,443
Raw materials	804,109	138,592
Raw materials in transit	315,805	353,690
Work in process	103,341	26,936
Finished goods	277,952	547,596
	<u>1,557,296</u>	<u>1,129,257</u>
17. TRADE DEBTS		
Secured - considered good	1,466,063	1,603,643
	<u>1,466,063</u>	<u>1,603,643</u>

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Fauji Fertilizer Brn Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013
18. ADVANCES			
Advances to:			
- Executives, unsecured considered good		1,572	840
- Other employees, unsecured considered good		75,800	57,553
Advances to suppliers and contractors			
- Considered good		803,315	514,573
		<u>880,687</u>	<u>572,966</u>
19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		7,177	4,362
Prepayments		20,920	25,515
		<u>28,097</u>	<u>29,877</u>
20. OTHER RECEIVABLES			
Due from Fauji Fertilizer Company Limited - unsecured, considered good	20.1	173,420	572,623
Other receivables			
- Considered good		340,806	132,890
		<u>514,226</u>	<u>705,513</u>

20.1 This interest free balance represents amount recovered by Fauji Fertilizer Company Limited from customers on sale of the Company's products under inter company services agreement.

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Fauji Fertilizer Bin Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013
21. SHORT TERM INVESTMENTS			
Loans and receivables			
Term deposits with banks and financial institutions		1,430,000	1,200,000
Investments at fair value through profit or loss - held for trading			
Money market funds		7,800,117	4,123,136
		<u>9,230,117</u>	<u>5,323,136</u>
22. CASH AND BANK BALANCES			
Deposit accounts - in local currency	22.1	4,670,388	2,139,349
- in foreign currency		1,956	2,055
		4,672,344	2,141,404
Current accounts		371,501	335,582
Cash in hand		824	547
		<u>5,044,669</u>	<u>2,477,533</u>

22.1 This includes Rs. 143,770 thousand (2013: Rs. 241,163 thousand) held under lien by the commercial banks against various facilities.

	Note	2014 (Rupees '000)	2013
23. SALES			
Gross Sales		58,293,148	63,651,722
Less:			
Sales tax		8,829,450	9,176,575
Commission to the Fauji Fertilizer Company Limited	23.1	18,442	19,979
		8,847,892	9,196,554
		<u>49,445,256</u>	<u>54,455,168</u>

23.1 Commission is paid @ Rs. 1 per bag sold by the Fauji Fertilizer Company Limited, based on inter company services agreement.

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Company Fertilizer (India) Limited
Notes to the Financial Statements
For the year ended December 31, 2014

		2014	2013
	Note	(Rupees '000)	
24. COST OF SALES			
Raw materials consumed		29,984,717	30,780,637
Packing materials consumed		587,871	581,779
Fuel and power		2,860,257	2,482,308
Chemicals and supplies consumed		226,404	273,580
Salaries, wages and benefits	24.1	1,727,094	1,720,439
Rent, rates and taxes		75,995	23,315
Insurance		99,719	101,317
Travel and conveyance		167,668	148,881
Repairs and maintenance		926,362	889,883
Communication, establishment and other expenses		165,197	146,477
Depreciation	13.2	1,338,780	1,360,967
Opening stock - work in process		26,936	13,615
Closing stock - work in process		(103,341)	(26,936)
Cost of goods manufactured		<u>38,083,659</u>	<u>38,496,262</u>
Opening stock - finished goods		547,596	1,993,998
Closing stock - finished goods		(277,952)	(547,596)
Cost of sales		<u><u>38,353,303</u></u>	<u><u>39,942,664</u></u>

This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 50,242 thousand, Rs. 37,089 thousand and Rs. 52,194 thousand respectively. (2013: Rs. 41,826 thousand, Rs. 36,156 thousand and Rs. 116,353 thousand respectively).

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2014-15 Annual Report
 Notes to the Financial Statements
 For the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
25. SELLING AND DISTRIBUTION EXPENSES			
Product transportation		2,398,100	2,572,092
Expenses charged by Fauji Fertilizer Company Limited	25.1		
Salaries, wages and benefits		625,900	603,359
Rent, rates and taxes		54,447	59,729
Technical services		5,658	5,645
Travel and conveyance		82,451	80,343
Sales promotion and advertising		38,160	33,424
Communication, establishment and other expenses		70,255	63,252
Warehousing expenses		23,086	22,326
Depreciation		16,017	12,369
		915,974	880,447
		<u>3,314,074</u>	<u>3,452,539</u>

25.1 This represents common expenses charged by the Fauji Fertilizer Company Limited on account of marketing of the Company's products based on an inter company services agreement.

	Note	2014	2013
		(Rupees '000)	
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	26.1	867,855	656,717
Travel and conveyance		153,730	182,578
Utilities		9,951	7,812
Printing and stationery		10,794	9,605
Repairs and maintenance		17,271	9,522
Communication, advertisement and other expenses		32,400	22,025
Rent, rates and taxes		19,404	15,207
Listing fee		1,381	1,364
Donations	26.2	70,109	47,000
Legal and professional		40,912	33,404
Depreciation	13.2	43,021	25,824
Miscellaneous		50,807	36,979
		<u>1,317,635</u>	<u>1,048,037</u>

26.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 18,406 thousand, Rs. 17,212 thousand and Rs. 24,304 thousand respectively (2013: Rs. 11,272 thousand, Rs. 13,113 thousand and Rs. 37,881 thousand respectively).

26.2 During the year, the Company has not paid donation to any organization in which any director or his spouse has interest. Last year the Company has paid donation to the project of Fauji Foundation (FF).

Particulars of project	Address	(Rupees '000)	
Fauji Foundation	Tipu Road Rawalpindi	-	10,000

The interest of the following Directors of the Company constitutes by way of being management staff of FF:

Lt Gen Muhammad Mustafa Khan HI(M) (Retd)
 Maj Gen Ghulam Haider HI(M) (Retd)
 Brig Parvez Sarwar Khan, SI (M) (Retd)
 Brig Dr Gulfam Alam, SI (M) (Retd)
 Brig Muhammad Saeed Khan (Retd)
 Dr Nadeem Inayat
 Mr Qaiser Javed

Muhammad Mustafa Khan

Fauji Fertilizer Bin Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
27. FINANCE COST			
Mark-up on short term borrowings		933,193	1,112,322
Mark-up on long term finance		330,984	-
Interest on Workers' (Profit) Participation Fund		345	218
Bank charges		32,241	26,412
Exchange loss		16,181	375,979
		<u>1,312,944</u>	<u>1,514,931</u>
28. OTHER OPERATING EXPENSES			
Workers' (Profit) Participation Fund	9.1	310,403	458,802
Workers' Welfare Fund		117,414	177,942
Auditor's remuneration			
Fees - annual audit		1,000	1,000
Fees - half yearly review		100	100
Other certification & services		718	600
Out of pocket expenses		185	115
		<u>2,003</u>	<u>1,815</u>
		<u>429,820</u>	<u>638,559</u>

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Fauji Fertilizer (Pvt) Company Limited
Notes to the Financial Statements
For the year ended December 31, 2014

2014 2013
(Rupees '000)

29. OTHER INCOME

Income from financial assets

Profit on bank balances and term deposits	244,559	401,521
Dividend on investment in money market funds	171,102	224,738
Gain on sale of investments	268,977	6,223
	<u>684,638</u>	<u>632,482</u>

Income from assets other than financial assets

Scrap sales and miscellaneous receipts	65,361	12,124
Dividend from associates	300,009	23,437
Gain on sale of property, plant and equipment	12,766	12,825
	<u>1,062,774</u>	<u>680,868</u>

30. TAXATION

Current	1,980,595	3,088,472
Deferred	(216,667)	(347,187)
	<u>1,763,928</u>	<u>2,741,285</u>

2014		2013	
(Rupees '000)	%	(Rupees '000)	%
Profit before tax	<u>5,780,254</u>	<u>8,361,673</u>	
Tax on profit	1,907,484 33.00	2,842,969 34.00	
Tax effect of lower rate on certain income / expenses	(142,247) (2.46)	(98,203) (1.09)	
Tax effect of exempt income / permanent differences	(1,308) 0.02	(3,481) (0.04)	
	<u>1,763,929 30.56</u>	<u>2,741,285 32.87</u>	

30.1 Reconciliation of tax charge for the year:

31. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation (Rupees '000)	4,016,326	5,798,021
Weighted average number of ordinary shares in issue during the year (thousands)	934,110	934,110
Earnings per share - basic and diluted (Rupees)	<u>4.30</u>	<u>6.21</u>

There is no dilutive effect on the basic earnings per share of the Company for the year 2014.

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Empire Industries Limited
Notes to the Financial Statements
For the year ended December 31, 2014

		2014	2013
	Note	(Rupees '000)	
32. CASH GENERATED FROM OPERATIONS			
Profit before taxation		5,780,254	8,539,306
Adjustments for:			
Provision for gratuity		68,648	53,098
Exchange loss		16,181	375,979
Provision for compensated absences		76,498	154,234
Provision for Workers' (Profit) Participation Fund	9.1	310,403	458,803
Provision for Workers' Welfare Fund		117,414	177,941
Depreciation	13.2	1,381,801	1,386,791
Finance cost		1,296,763	1,138,952
Gain on investments including dividend received		(740,088)	(254,398)
Profit on bank balances and term deposits		(244,559)	(401,521)
Gain on sale of property, plant and equipment		(12,766)	(12,825)
Operating profit before working capital changes		8,050,549	11,616,360
Changes in working capital			
Stores and spares		(229,712)	(96,011)
Stock in trade		(428,039)	3,747,048
Trade debts		137,580	865,432
Advances		(307,721)	(124,903)
Trade deposits and short term prepayments		1,780	(6,236)
Other receivables		191,287	2,289,295
Sales tax refundable		(570,043)	(124,234)
Trade and other payables		5,365,895	(3,707,921)
		4,161,027	2,842,470
		12,211,576	14,458,830

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Fauji Fertilizer Bin Qasim Limited
Notes to the Financial Statements
For the year ended December 31, 2014

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration including benefits applicable to the Chief Executive and executives of the Company are given below:

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	12,525	126,291	12,004	92,016
Bonus	2,065	86,771	6,923	69,178
Contributory provident fund	560	5,514	632	4,391
Others	7,129	39,756	6,767	48,748
	<u>22,279</u>	<u>258,332</u>	<u>26,326</u>	<u>214,333</u>
No. of person (s)	1	24	1	19

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs.3,725 thousand (2013 : Rs. 7,172 thousand) on separation in accordance with the Company's policy.

In addition, the other directors of the Company are paid meeting fee aggregating Rs. 8,325 thousand (2013: Rs. 6,825 thousand). No remuneration was paid to directors of the Company; (2013: Nil). The number of directors of the Company was 12 (2013 : 12).

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34 FINANCIAL INSTRUMENTS

The Company has been exposed to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, deposits, advances, interest accrued, short term investments, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014	2013
	(Rupees '000)	
Trade debts	1,466,063	1,603,643
Deposits	85,820	83,005
Interest accrued	17,633	19,729
Other receivables - net of provision	514,225	705,513
Short term investments	9,230,117	5,323,136
Bank balances	5,043,845	2,476,986
	<u>16,357,704</u>	<u>10,212,012</u>

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country .

The Company's most significant amount receivable is from Fauji Fertilizer Company Limited which amounts to Rs. 173,420 thousand (2013: Rs. 572,623 thousands) and which is included in total carrying amount of other receivables as at reporting date. At the balance sheet date this receivable is not overdue or impaired.

Trade debts are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

The Company limits its exposure to credit risk by investing only in liquid securities and placing funds with banks that have high credit rating. Management actively monitors credit ratings and given that the Company only has placed funds in the banks with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

As at the reporting date trade receivables of Rs. Nil (2013: Rs Nil) were over-due. Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Company has recorded an impairment loss of Rs. 3,000 thousand (2013 : Rs. 3,000 thousand) in respect of its investment in available-for-sale investments.

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34.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The management uses different methods which assist in monitoring cash flow requirements and optimizing the return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 10 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
Long term loans	10,147,168	10,147,168	-	-	1,547,592	8,599,576	-
Deferred government assistance	1,944,600	1,944,600	1,944,600	-	-	-	-
Trade and other payables	12,102,169	12,102,169	12,102,169	-	-	-	-
Short term borrowings including mark-up	3,173,380	3,173,380	3,173,380	-	-	-	-
	<u>27,367,317</u>	<u>27,367,317</u>	<u>17,220,149</u>	<u>-</u>	<u>1,547,592</u>	<u>8,599,576</u>	<u>-</u>

2013	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
Long term loan	2,592,801	2,592,801	2,008,682	-	584,119	-	-
Trade and other payables	7,835,565	7,835,565	7,835,565	-	-	-	-
Short term borrowings including mark-up	8,221,180	8,221,180	8,221,180	-	-	-	-
	<u>18,649,546</u>	<u>18,649,546</u>	<u>18,065,427</u>	<u>-</u>	<u>584,119</u>	<u>-</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

34.2.1 The contractual cash flow relating to short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in note 11.1 to these financial statements.

34.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is exposed to currency and interest rate risk only.

34.3.1 Currency risk

Exposure to Currency Risk

The Company is exposed to currency risk on certain liabilities and bank balance which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	1,955	19	2,055	19
Creditors	(5,672,264)	(56,384)	(3,347,101)	(31,651)
Net exposure	<u>(5,670,309)</u>	<u>(56,365)</u>	<u>(3,345,046)</u>	<u>(31,632)</u>

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate (Bid- Offer average)	
	2014	2013	2014	2013
US Dollars	101.09	101.99	100.60	105.75

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 567,031 thousand (2013 : Rs. 334,505 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

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34.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Company's interest bearing financial instruments is

	Carrying Amount	
	2014	2013
	(Rupees '000)	
Fixed rate instruments		
Financial assets	1,430,000	1,200,000
Financial liabilities	1,750,000	7,350,000
Variable rate instruments		
Financial assets	4,672,344	2,141,404
Financial liabilities	1,337,407	635,128

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2014		
Cash flow sensitivity-Variable rate instruments	56,618	56,618
	<u>56,618</u>	<u>56,618</u>
December 31, 2013		
Cash flow sensitivity-Variable rate instruments	5,894	5,894
	<u>5,894</u>	<u>5,894</u>

Market price risk

For investments at fair value through profit or loss, a 1 % increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 78,001 (2013: 41,231).

34.4 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	December 31, 2014		December 31, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Trade debts	17	1,466,063	1,466,063	1,603,643	1,603,643
Deposits		85,820	85,820	83,005	83,005
Interest accrued		17,633	17,633	19,729	19,729
Other receivables - net of provision	20	514,225	514,225	705,513	705,513
Short term investments - loans and receivables	21	1,430,000	1,430,000	1,200,000	1,200,000
Cash and bank balances	22	5,044,669	5,044,669	2,477,533	2,477,533
		<u>8,558,411</u>	<u>8,558,411</u>	<u>6,089,423</u>	<u>6,089,423</u>
Assets carried at fair value					
Short term investments -Investments at fair value through profit or loss	21	7,800,117	7,800,117	4,123,136	4,123,136
Liabilities carried at amortized cost					
Long term loan	7	10,147,168	10,147,168	2,592,801	2,592,801
Trade and other payables	9	12,102,169	12,102,169	7,835,565	7,835,565
Short term borrowings including mark-up	11	3,173,380	3,173,380	8,221,180	8,221,180
		<u>25,422,717</u>	<u>25,422,717</u>	<u>18,649,546</u>	<u>18,649,546</u>

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34.4 Interest rates used for determining fair value

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. The interest rate used to determine fair value of GoP loans is 10% (2013: 10.80%). Since deferred Government assistance is included with long term loan, there is no difference in the carrying amount of the loan and its fair value.

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	(Rupees '000)		
December 31, 2014			
Assets carried at fair value			
Short term investments - investment in mutual funds	7,800,117	-	-
December 31, 2013			
Assets carried at fair value			
Short term investments - investment in mutual funds	4,123,136	-	-

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

34.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in associate

The fair value of investment in quoted associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

34.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company has long term loan facilities aggregating to Rs. 10,000,000 thousand (2013: Rs. Nil). These are secured against ranking charge over current and fixed assets of the Company and carry mark up ranging between 10.34% to 10.68% per annum (2013: Nil).

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35. RELATED PARTY TRANSACTIONS

Fauji Fertilizer Company Limited (FFC) has 49.88 % share holding in FFBL (2013: 50.88%). While Fauji Foundation (FF) holds 18.29 % shares (2013: 17.29 %) in the Company. The Company has related parties which comprise of entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The carrying value of investment in associates and joint venture are disclosed in note 14 to the financial statements.

	2014	2013
	(Rupees '000)	
Transactions with the subsidiary companies		
Expenses incurred on behalf of subsidiaries	301,390	-
Investment in Fauji Meat Limited	1,199,000	1,000
Investment in Fauji Foods Limited	284,197	1,000
Investment in FFBL Power Company Limited	1,356,103	-
Transactions with associated undertakings due to common directorship		
Services and material acquired	925,567	890,708
Services and material provided	7,550	10,889
Collections	59,182,502	66,026,408
Commission charged to the Company	18,442	19,979
Dividend paid - net	2,546,937	3,183,671
Rent charged to the Company	1,339	1,240
Balance receivable at the year end - unsecured	173,420	572,623
Investment in FWE-I & FWE-II	369,503	961,210
Investment in Askari Bank Limited	1	5,230,990
Transactions with jointly controlled entity		
Purchase of raw materials	24,697,427	23,168,097
Expenses incurred on behalf of joint controlled entity	20,008	14,933
Balance payable at the year end - secured	5,745,925	3,370,005
Balance receivable at the year end - unsecured	37,526	19,989
Other related parties		
Contribution to provident fund	54,301	49,269
Payment to gratuity fund	95,228	42,596
Payment to Workers' (Profit) Participation Fund	339,807	417,042
Payable to gratuity fund	198,228	173,653
Remuneration of key management personnel	30,604	33,151

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36. EMPLOYEES PROVIDENT FUND TRUST

	2014	2013
	(Rupees '000)	
Size of the fund	1,147,695	998,765
Cost of investments made	995,323	860,401
Fair value of investments	1,093,914	952,998
Percentage of investments made	95.31%	95.42%

36.1 Breakup of Investments is as follows:

	2014		2013	
	(Rupees 000)	(%)	(Rupees 000)	(%)
Shares	218,787	21.98	193,797	22.52
Mutual funds	212,367	21.34	50,095	5.83
Bank deposits	564,169	56.68	616,509	71.65
	995,323	100.00	860,401	100.00

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

37. GENERAL

	2014		2013	
	(Tonnes)			
37.1 Production capacity				
Design capacity				
Urea	551,100		551,100	
DAP	650,000		650,000	
Actual production				
Urea	213,163		224,477	
DAP	701,841		744,436	

The shortfall in production of Urea was mainly due to non-availability of gas during the year.

37.2 Number of persons employed	2014	2013
Employees on year end (number)	1,384	1,175
Average employees during the year (number)	1,257	1,109

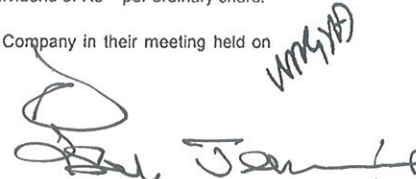
37.3 Figures have been rounded off to the nearest thousand rupees.

37.4 The Board of Directors in their meeting held on January , 2015 have proposed a final dividend of Rs per ordinary share.

37.5 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January , 2015.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR