Financial Statements

Fauji Fertilizer Company Limited

Report of the Audit Committee
on Adherence to the Code of Corporate Governance

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2012, and reports that:

- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the Auditors of the Company.

- Understanding and compliance with Company codes and policies has been affirmed by the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been ensured.

- Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended December 31, 2012, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

- The Chief Executive and the CFO have reviewed the financial statements of the Company, consolidated financial statements and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

INTERNAL AUDIT

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.

- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, KPMG Taseer Hadi & Company, Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2012 and shall retire on the conclusion of the 35th Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of the Auditors' Report on financial statements under the listing regulations and shall therefore accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meetings of the Company during the year and have confirmed attendance of the 35th Annual General Meeting scheduled for March 07, 2013 and have indicated their willingness to continue as Auditors.

- Based on a notice received from a shareholder to change the Auditors and in view of the good corporate governance practices, the Audit Committee has recommended the appointment of A.F. Ferguson & Co. Chartered Accountants as External Auditors of the Company for the year ending December 31, 2013

Qaiser Javed
Chairman - Audit Committee

Rawalpindi
January 23, 2013

Statement of Compliance
with the Code of Corporate Governance

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

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

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

Category	Names
Non-Executive	Lt Gen Muhammad Mustafa Khan, HI(M) (Retired)
Executive	Lt Gen Naeem Khalid Lodhi, HI(M) (Retired)
Non-Executive	Mr Qaiser Javed
Non-Executive	Dr Nadeem Inayat
Non-Executive	Mr Jorgen Madsen
Non-Executive	Maj Gen Zahid Parvez, HI(M) (Retired)
Non-Executive	Mr Wazir Ali Khoja
Non-Executive	Brig Dr Gulfam Alam, SI(M) (Retired)
Non-Executive	Brig Parvez Sarwar Khan, SI(M) (Retired)
Independent	Engr Rukhsana Zuberi
Independent	Mr Shahid Aziz Siddiqi
Independent	Mr Agha Nadeem
Independent	Mr Farhad Shaikh Mohammad

The independent directors meet the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company except Mr Wazir Ali Khoja for whom relaxation has been obtained and communicated to FFC by NIT vide SECP letter No. SMD/SE/2(10)/2002 dated January 28, 2011.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI,

4. Following casual vacancies occurring in the Board during the year 2012 were filled up by the directors within 7 days:

   - Lt Gen Muhammad Mustafa Khan, HI(M) (Retired) appointed in place of Lt Gen Hamid Rab Nawaz, HI(M) (Retired) w.e.f January 02, 2012.
   - Lt Gen Naeem Khalid Lodhi, HI(M) (Retired) appointed in place of Lt Gen Malik Arif Hayat, HI(M) (Retired) w.e.f March 26, 2012.
   - Engr Rukhsana Zuberi elected in Extraordinary General Meeting w.e.f September 16, 2012 in place of Mr Istaqbal Mehdi.
   - Mr Farhad Shaikh Mohammad elected in Extraordinary General Meeting w.e.f September 16, 2012 in place of Mr Shahid Anwar Khan.

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

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

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

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

9. The Board arranged appropriate training programs for its directors during the year.

10. The Board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms & conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of three (3) members, all of whom are non-executive directors including Chairman of the Committee. As regards the chairmanship of the committee, the Company seeks Securities & Exchange Commission of Pakistan (SECP) relaxation of the provision of the Code requiring Audit Committee to be headed by an Independent Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resources and Remuneration Committee. It comprises three (3) members, all of whom are non-executive directors including the Chairman of the Committee.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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

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

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.

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

Naeem Khalid

Lt Gen Naeem Khalid Lodhi, HI(M) (Retired)
Chief Executive & Managing Director

Rawalpindi
January 23, 2013

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

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Fertilizer Company Limited, ("the Company") to comply with the Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange Limited, where the Company is listed.

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

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

Further, Sub–Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited vide circular KSE / N–269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

As disclosed in point 15 of the Statement, the Company seeks relaxation of the provisions of the Code from Securities and Exchange Commission of Pakistan requiring Chairman of the Audit Committee to be an independent director.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

Islamabad
January 23, 2013

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Auditors' Report to the Members
of Fauji Fertilizer Company Limited

We have audited the annexed balance sheet of Fauji Fertilizer Company Limited ("the Company") as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion-

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

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Islamabad
January 23, 2013

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Balance Sheet
as at December 31, 2012

	Note	2012	2011
		(Rupees '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	12,722,382	8,481,588
Capital reserves	5	160,000	160,000
Revenue reserves	6	13,213,667	14,428,636
		26,096,049	23,070,224
NON - CURRENT LIABILITIES			
Long term borrowings	7	3,870,000	2,703,750
Deferred liabilities	8	4,103,315	3,832,614
		7,973,315	6,536,364
CURRENT LIABILITIES			
Trade and other payables	9	15,836,879	11,730,961
Interest and mark-up accrued	11	24,921	79,826
Short term borrowings	12	4,990,000	8,735,650
Current portion of long term borrowings	7	1,433,750	1,615,655
Taxation		4,531,939	3,762,236
		26,817,489	25,924,328
		60,886,853	55,530,916
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2012	2011
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	17,818,755	17,050,951
Intangible assets	15	1,678,639	1,569,234
Long term investments	16	9,511,865	8,659,073
Long term loans and advances	17	700,786	605,883
Long term deposits and prepayments	18	222,313	9,370
		29,932,358	27,894,511
CURRENT ASSETS			
Stores, spares and loose tools	19	3,098,938	2,447,452
Stock in trade	20	442,139	636,923
Trade debts	21	3,611,476	86,669
Loans and advances	22	677,977	431,582
Deposits and prepayments	23	35,670	53,852
Other receivables	24	588,667	891,673
Short term investments	25	18,750,996	21,794,480
Cash and bank balances	26	3,748,632	1,293,774
		30,954,495	27,636,405
		60,886,853	55,530,916

Chairman Chief Executive Director

Profit and Loss Account
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees '000)	
Sales	27	74,322,612	55,221,168
Cost of sales	28	38,324,361	20,871,759
GROSS PROFIT		35,998,251	34,349,409
Distribution cost	29	5,560,687	4,372,151
		30,437,564	29,977,258
Finance cost	30	999,457	785,825
Other expenses	31	2,685,236	2,654,881
		26,752,871	26,536,552
Other income	32	4,267,852	6,629,501
NET PROFIT BEFORE TAXATION		31,020,723	33,166,053
Provision for taxation	33	10,181,000	10,674,000
NET PROFIT AFTER TAXATION		20,839,723	22,492,053
			Restated
Earnings per share – basic and diluted (Rupees)	34	16.38	17.68

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

Chairman

Chief Executive

Director

Statement of Comprehensive Income
for the year ended December 31, 2012

	2012	2011
	(Rupees '000)	
Net profit after taxation	20,839,723	22,492,053
Other comprehensive income for the year		
(Deficit) / surplus on remeasurement of investments available for sale to fair value	(1,356)	18,802
Income tax relating to component of other comprehensive income	(1,207)	(2,990)
Other comprehensive income for the year - net of tax	(2,563)	15,812
Total comprehensive income for the year	20,837,160	22,507,865

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

Chairman | Chief Executive | Director

Cash Flow Statement

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	31,758,890	33,121,687
Finance cost paid		(1,054,362)	(843,967)
Income tax paid		(9,235,297)	(10,398,028)
Payment to gratuity fund		(83,040)	(75,241)
Payment to pension fund		(454,661)	(109,220)
Payment to Workers' Welfare Fund - net		(594,784)	(329,070)
Payment to Workers' Profit Participation Fund - net		(1,690,493)	(1,808,776)
Net cash generated from operating activities	36.1	18,646,253	19,557,385
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,269,802)	(2,314,033)
Proceeds from sale of property, plant and equipment		28,489	14,123
Interest received		1,276,269	1,480,703
Investment in FFC Energy Limited		(850,000)	(800,000)
Decrease / (increase) in other investments		3,719,657	(3,230,683)
Dividends received		2,814,767	4,842,032
Net cash generated from / (used in) investing activities		4,719,380	(7,858)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		3,000,000	500,000
- repayments		(2,015,655)	(1,759,405)
Dividends paid		(17,749,717)	(14,774,032)
Net cash used in financing activities		(16,765,372)	(16,033,437)
Net increase in cash and cash equivalents		6,600,261	3,516,090
Cash and cash equivalents at beginning of the year		9,963,247	6,423,264
Effect of exchange rate changes		7,561	23,893
Cash and cash equivalents at end of the year	37	16,571,069	9,963,247

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

Chairman Chief Executive Director

Statement of Changes in Equity
for the year ended December 31, 2012

	Share capital	Capital reserves	Revenue reserves: (Deficit) / surplus on remeasurement of investments available for sale to fair value	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees '000)					
Balance at January 01, 2011	6,785,271	160,000	(5,554)	4,239,471	4,268,359	15,447,547
Transfer to general reserve	-	-	-	3,000,000	(3,000,000)	-
Total comprehensive income for the year						
Profit for the year after taxation	-	-	-	-	22,492,053	22,492,053
Other comprehensive income - net of tax	-	-	15,812	-	-	15,812
Total comprehensive income for the year - net of tax	-	-	15,812	-	22,492,053	22,507,865
Distribution to owners						
Issue of bonus shares	1,696,317	-	-	(1,696,317)	-	-
Final dividend 2010: Rs 3.50 per share	-	-	-	-	(2,374,845)	(2,374,845)
First interim dividend 2011: Rs 4.50 per share	-	-	-	-	(3,816,715)	(3,816,715)
Second interim dividend 2011: Rs 4.75 per share	-	-	-	-	(4,028,754)	(4,028,754)
Third interim dividend 2011: Rs 5.50 per share	-	-	-	-	(4,664,874)	(4,664,874)
Total transactions with owners	1,696,317	-	-	(1,696,317)	(14,885,188)	(14,885,188)
Balance at December 31, 2011	8,481,588	160,000	10,258	5,543,154	8,875,224	23,070,224
Balance at January 01, 2012	8,481,588	160,000	10,258	5,543,154	8,875,224	23,070,224
Transfer to general reserve	-	-	-	4,200,000	(4,200,000)	-
Total comprehensive income for the year						
Profit for the year after taxation	-	-	-	-	20,839,723	20,839,723
Other comprehensive income - net of tax	-	-	(2,563)	-	-	(2,563)
Total comprehensive income for the year - net of tax	-	-	(2,563)	-	20,839,723	20,837,160
Distribution to owners						
Issue of bonus shares	4,240,794	-	-	(4,240,794)	-	-
Final dividend 2011: Rs 5.25 per share	-	-	-	-	(4,452,834)	(4,452,834)
First interim dividend 2012: Rs 3.00 per share	-	-	-	-	(3,816,715)	(3,816,715)
Second interim dividend 2012: Rs 5.00 per share	-	-	-	-	(6,361,191)	(6,361,191)
Third interim dividend 2012: Rs 2.50 per share	-	-	-	-	(3,180,595)	(3,180,595)
Total transactions with owners	4,240,794	-	-	(4,240,794)	(17,811,335)	(17,811,335)
Balance at December 31, 2012	12,722,382	160,000	7,695	5,502,360	7,703,612	26,096,049

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

Chairman | Chief Executive | Director

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited ("the Company") is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is situated at 156 - The Mall, Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical, other manufacturing and energy generation operations.

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies, associate and jointly controlled entities are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2. BASIS OF PREPARATION

2.1 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.

2.2 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 pension which are carried at present value of defined benefit obligation net of fair value of plan assets and unrecognized actuarial losses.

2.3 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.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Financial Statements
for the year ended December 31, 2012

3.1 Retirement benefits

(a) The Company has the following plans for its employees:

Funded Gratuity Scheme

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Funded Pension Scheme

Defined benefit funded pension for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 10 to the financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration, 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.

Contributory Provident Fund

Defined contribution provident fund for all eligible employees for which the Company's contributions are charged to profit and loss account.

(b) Compensated absences

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.2 Taxation

Income tax expense comprises current and deferred tax.

Current

Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.
Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax 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 realised. 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 arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. 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 realised simultaneously.

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 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.

3.3 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a straight-line basis 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 14. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

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, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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 and loss account.

The Company reviews the useful life 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 equipment with a corresponding effect on depreciation charge and impairment.

3.4 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. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. For non-financial assets and available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in statement of comprehensive income.

3.5 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment if any. In respect of equity accounted investees, goodwill is included in the carrying amount of investment.

3.6 Investments

3.6.1 Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of investments are increased to their revised recoverable amounts but limited to the extent of initial cost of investments. Reversal of impairment losses are recognized in the profit and loss account.

Notes to the Financial Statements
for the year ended December 31, 2012

3.6.2 Investments in associate and jointly controlled entities

Investments in associates and jointly controlled entities are initially recognized at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.6.3 Investments available for sale

These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to profit and loss account. Impairment loss on investments available for sale is recognized in the profit and loss account.

3.6.4 Acquisition under common control

Acquisition under common control of the shareholders are initially recognized using exchange transaction basis. All the acquisitions under common control are accounted for from the year in which the acquisition takes place without restating the Company's (acquirer) comparative financial statements.

3.6.5 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 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.

The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.6.6 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are measured at amortized cost using the effective interest method, less any impairment losses.

3.7 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and / or physical form of related stores, spares and loose tools. Impairment is also made for slow moving items.

3.8 Stock in trade

Stocks are valued at the lower of cost and net realisable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost
Work in process and finished goods	at weighted average cost of purchase, raw materials and applicable manufacturing expenses

Net realisable 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.

The Company reviews the carrying amount of stock in trade 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 / or physical form of related inventory.

3.9 Foreign currencies

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 exchange rate at the date of transaction. Exchange differences are included in profit and loss account for the year.

3.10 Revenue recognition

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 and trade discounts. Scrap sales and miscellaneous receipts are recognized on realised amounts. Commission on sale of subsidiary company products is recognized when such products are sold on its behalf.

3.11 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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.

3.12 Research and development costs

Research and development costs are charged to income as and when incurred.

3.13 Provisions

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

3.14 Basis of allocation of common expenses

Selling and distribution expenses are allocated to the subsidiary company, in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

3.15 Dividend and reserve appropriation

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

3.16 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost less subsequent repayments.

Notes to the Financial Statements
for the year ended December 31, 2012

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.18 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 provisions of the instruments. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other payables are carried at their amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognized and carried at their amortized cost less allowance for any uncollectable amounts. 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.

c) 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.

3.19 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.

3.20 Finance income and finance costs

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

Finance costs comprise interest expense on borrowings, changes in 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 effective interest method.

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

3.21 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

3.22 Intangible asset - Computer software

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.

3.23 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following this change, unrecognized actuarial gains / losses will be recorded immediately in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

Notes to the Financial Statements
for the year ended December 31, 2012

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.

  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on annual financial statements of the Company.

Notes to the Financial Statements
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31, 2012	December 31, 2011		2012	2011
Numbers			(Rupees '000)	
256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
1,015,742,345	591,662,929	Ordinary shares of Rs 10 each issued as fully paid bonus shares	10,157,423	5,916,629
1,272,238,247	848,158,831		12,722,382	8,481,588

AUTHORIZED SHARE CAPITAL

This represents 1,500,000,000 (2011: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2011: Rs 15,000,000 thousand).

4.1 During the year, the Company issued 424,079,416 ordinary shares of Rs 10 each as fully paid bonus shares. Fauji Foundation held 44.35% (2011: 44.35%) ordinary shares of the Company at the year end.

	Note	2012	2011
		(Rupees '000)	
5. CAPITAL RESERVES			
Share premium	5.1	40,000	40,000
Capital redemption reserve	5.2	120,000	120,000
		160,000	160,000

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve setup on redemption of preference shares of Rs 120,000 thousand in 1996.

	2012	2011
	(Rupees '000)	
6. REVENUE RESERVES		
General reserve	5,502,360	5,543,154
Surplus on remeasurement of available for sale investments to fair value - net of tax	7,695	10,258
Unappropriated profit	7,703,612	8,875,224
	13,213,667	14,428,636

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
7.	LONG TERM BORROWINGS			
	This represents secured long term borrowings from the following:			
	Loans from banking companies – secured	7.1		
	i) United Bank Limited (UBL)	7.1.1	-	228,572
	ii) Bank Al-Falah Limited (BAFL)	7.1.1	-	31,250
	iii) Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	50,000	150,000
	iv) National Bank of Pakistan (NBP - 1)	7.1.1	-	100,000
	v) Silk Bank Limited (SBL - 1)	7.1.1	-	30,000
	vi) Silk Bank Limited (SBL - 2)	7.1.1	-	30,000
	vii) National Bank of Pakistan (NBP - 2)	7.1.1	-	333,333
	viii) Faysal Bank Limited (FBL)	7.1.1	160,000	240,000
	ix) Habib Bank Limited (HBL - 1)	7.1.1	100,000	200,000
	x) Bank Islami Limited (BIL)	7.1.1	31,250	93,750
	xi) Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	125,000	175,000
	xii) Dubai Islamic Bank (DIB)	7.1.1	150,000	210,000
	xiii) Meezan Bank Limited (MBL - 1)	7.1.1	62,500	187,500
	xiv) MCB Bank Limited (MCB)	7.1.1	-	210,000
	xv) Habib Bank Limited (HBL - 2)	7.1.1	-	100,000
	xvi) Meezan Bank Limited (MBL - 2)	7.1.1	750,000	1,000,000
	xvii) Bank of Punjab (BOP - 1)	7.1.1	375,000	500,000
	xviii) Allied Bank Limited (ABL)	7.1.1	2,500,000	500,000
	xix) Bank of Punjab (BOP - 2)	7.1.1	1,000,000	-
			5,303,750	4,319,405
	Less: Current portion shown under current liabilities		1,433,750	1,615,655
			3,870,000	2,703,750

Notes to the Financial Statements
for the year ended December 31, 2012

7.1 Terms and conditions of these borrowings are given below:

	Lenders	Mark–up rate p.a. (%)	No of installments outstanding	Date of final repayment
i)	UBL	6 months' KIBOR+1.50	-	Paid on August 30, 2012
ii)	BAFL	6 months' KIBOR+1.50	-	Paid on March 20, 2012
iii)	SCB	6 months' KIBOR+1.30	01 half yearly	March 29, 2013
iv)	NBP-1	6 months' KIBOR+1.40	-	Pre-mature settlement on April 06, 2012
v)	SBL - 1	6 months' KIBOR+1.50	-	Pre-mature settlement on April 06, 2012
vi)	SBL - 2	6 months' KIBOR+1.50	-	Pre-mature settlement on April 06, 2012
vii)	NBP - 2	6 months' KIBOR+1.00	-	Pre-mature settlement on April 06, 2012
viii)	FBL	6 months' KIBOR+1.00	04 half yearly	September 26, 2014
ix)	HBL - 1	6 months' KIBOR+1.00	02 half yearly	September 29, 2013
x)	BIL	6 months' KIBOR+1.00	01 half yearly	June 30, 2013
xi)	AIBL	6 months' KIBOR+1.00	05 half yearly	June 27, 2015
xii)	DIB	6 months' KIBOR+1.00	05 half yearly	June 30, 2015
xiii)	MBL - 1	6 months' KIBOR+0.96	01 half yearly	March 28, 2013
xiv)	MCB	6 months' KIBOR+1.00	-	Pre-mature settlement on April 06, 2012
xv)	HBL - 2	6 months' KIBOR+0.30	-	Paid on February 28, 2012
xvi)	MBL -2	6 months' KIBOR+0.90	06 half yearly	December 31, 2015
xvii)	BOP - 1	6 months' KIBOR+0.80	06 half yearly	December 31, 2015
xviii)	ABL	6 months' KIBOR+0.80	08 half yearly	December 22, 2016
xix)	BOP - 2	6 months' KIBOR+0.50	08 half yearly	December 27, 2017

7.1.1 Finance (i) through (xix) except finance (xv) are secured by an equitable mortgage on the Company's assets and hypothecation of assets including plant and machinery, tools and spares, and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin. Finance (xv) was secured against lien on Pakistan Investment Bonds (PIBs) having face value of Rs 100 million and repayment of installment was coincided with the PIBs maturity.

Certain finances with higher interest rates were pre-maturily settled during the year without incurring any prepayment penalty.

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
8.	**DEFERRED LIABILITIES**			
	Deferred taxation	8.1	3,336,018	3,158,811
	Compensated leave absences	8.2	767,297	673,803
			4,103,315	3,832,614
8.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation / amortization		3,443,000	3,270,000
	Provision for slow moving spares, doubtful debts, other receivables and investments		(109,000)	(112,000)
	Remeasurement of investment available for sale		2,018	811
			3,336,018	3,158,811

8.2 Actuarial valuation has not been carried out as the impact is considered to be immaterial.

		Note	2012	2011
			(Rupees '000)	
9.	**TRADE AND OTHER PAYABLES**			
	Creditors		420,933	365,810
	Accrued liabilities		3,447,871	2,212,668
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		2,969,967	2,124,704
	Sales tax payable - net		1,600,848	724,310
	Deposits		188,260	180,825
	Retention money		152,370	92,056
	Advances from customers		5,431,710	4,435,326
	Workers' Welfare Fund		1,094,245	1,060,648
	Gratuity fund	10	129,595	79,053
	Pension fund payable	10	-	133,879
	Unclaimed dividend		323,428	261,810
	Other liabilities		77,652	59,872
			15,836,879	11,730,961

Notes to the Financial Statements
for the year ended December 31, 2012

10. RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2012 Total	2011 Total
	(Rupees '000)			
a) Reconciliation of amounts recognized in the balance sheet is as follow:				
Present value of defined benefit obligation	1,465,644	2,139,010	3,604,654	3,162,095
Fair value of plan assets	(1,097,682)	(2,088,667)	(3,186,349)	(2,350,437)
Deficit	367,962	50,343	418,305	811,658
Net actuarial losses not recognized	(238,367)	(267,545)	(505,912)	(598,726)
	129,595	(217,202)	(87,607)	212,932
b) The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation at beginning of the year	1,323,367	1,838,728	3,162,095	2,452,849
Current service cost	73,294	81,411	154,705	149,928
Interest cost	164,608	241,142	405,750	418,097
Benefits paid during the year	(169,265)	(113,033)	(282,298)	(95,749)
Past service cost	-	-	-	52,298
Actuarial loss	73,640	90,762	164,402	184,672
Present value of defined benefit obligation at end of the year	1,465,644	2,139,010	3,604,654	3,162,095
c) The movement in fair value of plan assets is as follows:				
Fair value of plan assets at beginning of the year	973,277	1,377,160	2,350,437	1,940,034
Expected return on plan assets	119,731	234,953	354,684	322,685
Contributions	83,040	454,661	537,701	184,461
Benefits paid during the year	(169,265)	(113,033)	(282,298)	(95,749)
Actuarial gain / (loss)	90,899	134,926	225,825	(994)
Fair value of plan assets at end of the year	1,097,682	2,088,667	3,186,349	2,350,437
d) Plan assets comprise of:				
Investment in debt securities	49,496	49,522	99,018	102,888
Investment in equity securities	410,682	743,930	1,154,612	806,301
Term deposits receipts	469,328	1,008,001	1,477,329	1,046,075
National Investment Trust units	69,060	120,699	189,759	148,079
Deposits with Banks	11,781	63,929	75,710	113,035
Mutual Funds	87,335	110,899	198,234	147,010
Others	-	(8,313)	(8,313)	(12,951)
	1,097,682	2,088,667	3,186,349	2,350,437
e) Actual return on plan assets	210,630	369,879	580,509	321,691
Contributions expected to be paid to the plan during the next year	125,368	47,191	172,559	237,162

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

Notes to the Financial Statements
for the year ended December 31, 2012

		Funded gratuity	Funded pension	2012 Total	2011 Total
			(Rupees '000)		
g)	**Movement in liability / (asset) recognized in the balance sheet:**				
	Opening liability	79,053	133,879	212,932	32,174
	Expense for the year	133,582	103,580	237,162	365,219
	Payments to the fund during the year	(83,040)	(454,661)	(537,701)	(184,461)
	Closing liability / (asset)	129,595	(217,202)	(87,607)	212,932
h)	**Amount recognized in the profit and loss account is as follows:**				
	Current service cost	73,294	81,411	154,705	149,928
	Interest cost	164,608	241,142	405,750	418,097
	Expected return on plan assets	(119,731)	(234,953)	(354,684)	(322,685)
	Past service cost	-	-	-	52,298
	Actuarial losses recognized	15,411	15,980	31,391	67,581
	Total cost for the year	133,582	103,580	237,162	365,219

i) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current year and previous four years is as follows:**

	2012	2011	2010	2009	2008
			(Rupees '000)		
Present value of defined benefit obligation	1,465,644	1,323,367	1,146,571	953,746	854,834
Fair value of plan assets	(1,097,682)	(973,277)	(857,578)	(744,468)	(611,570)
Deficit	367,962	350,090	288,993	209,278	243,264
Experience adjustments					
- on obligations	(73,640)	(11,605)	(60,214)	(4,407)	(28,426)
- on plan assets	90,899	(18,409)	(1,572)	28,655	(119,116)

j) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of pension fund for the current year and previous four years is as follows:**

	2012	2011	2010	2009	2008
			(Rupees '000)		
Present value of defined benefit obligation	2,139,010	1,838,728	1,306,278	1,095,051	928,899
Fair value of plan assets	(2,088,667)	(1,377,160)	(1,082,456)	(958,483)	(735,717)
Deficit	50,343	461,568	223,822	136,568	193,182
Experience adjustments					
- on obligations	(90,762)	(173,067)	(41,503)	(17,283)	(9,565)
- on plan assets	134,926	17,415	(48,457)	63,868	(148,462)

Notes to the Financial Statements
for the year ended December 31, 2012

	2012 Funded gratuity	2012 Funded pension	2011 Funded gratuity	2011 Funded pension
	(Percentage)			
k) Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	12	12	13	13
Expected rate of salary growth				
Management	12	12	13	13
Non - Management	11	N/A	12	N/A
Expected rate of return on plan assets	12	12	13	13
Expected rate of increase in post retirement pension	N/A	6	N/A	7

l) "Salaries, wages and benefits" expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 126,500 thousand, Rs 95,781 thousand, Rs 95,025 thousand and Rs 175,540 thousand respectively (2011: Rs 115,634 thousand, Rs 90,825 thousand, Rs 222,162 thousand and Rs 143,652 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

	Note	2012	2011
		(Rupees '000)	
11. INTEREST AND MARK-UP ACCRUED			
On long term borrowings		18,030	64,434
On short term borrowings		6,891	15,392
		24,921	79,826
12. SHORT TERM BORROWINGS-SECURED			
From banking companies			
Short term running finance	12.1	4,990,000	8,735,650

12.1 Short term running finance

Short term running finance and istisna facilities are available from various banking companies under mark-up / profit arrangements amounting to Rs 11.24 billion (2011: Rs 11.54 billion) which represents the aggregate of sale prices of all mark-up / profit agreements between the Company and respective banks. The facilities have various maturity dates upto August 10, 2013.

These facilities are secured by first pari passu and ranking hypothecation charges on assets of the Company. Istisna facility of Rs 2.3 billion from an islamic financial institution is secured against lien over Term Deposit Receipts. The per annum rates of mark-up range between one month KIBOR + 0.05% to 1% per annum and three months' KIBOR + 0.3% per annum (2011: one month KIBOR + 0.1% to 1% per annum and three months' KIBOR + 0.3% per annum).

Notes to the Financial Statements
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
13.	CONTINGENCIES AND COMMITMENTS		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Company.	19,072	17,192
ii)	Claims against the Company and / or potential exposure not acknowledged as debt.	50,696	50,696
iii)	Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30.	101,990	101,247
b)	**Commitments in respect of:**		
i)	Capital expenditure.	1,535,446	2,721,870
ii)	Purchase of fertilizer, stores, spares and other operational items.	1,180,288	3,126,910
iii)	Investment in FFC Energy Limited. The Company's commitment to the bank is secured against all present and future, movable and fixed assets excluding immovable properties, land and buildings of the Company.	386,000	1,236,000
iv)	Rentals under lease agreements:		
	Premises - not later than one year	53,108	80,499
	- later than one year and not later than:		
	two years	30,096	48,841
	three years	24,806	23,894
	four years	23,740	23,733
	five years	26,395	23,740
	Vehicles - not later than one year	29,121	31,831
	- later than one year and not later than:		
	two years	28,855	22,035
	three years	21,057	26,644
	four years	15,660	17,892
	five years	8,820	9,856

c) The Company along with its associated concerns is negotiating a Share Purchse Agreement with Army Welfare Trust for acquisition of their entire shareholding in Askari Bank Limited, subject to all regulatory approvals.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 14.3)	Total
	(Rupees '000)													
COST														
Balance as at January 01, 2011	533,231	178,750	2,889,557	42,150	26,517	24,297,571	868,078	386,827	181,455	330,196	1,321,799	17,861	2,566,930	33,640,922
Additions during the year	1,580	-	185,190	-	-	1,699,296	62,310	50,734	12,718	36,960	96,766	373	2,928,147	5,074,074
Disposals	-	-	(418)	-	-	(1,502)	(144,652)	(9,836)	(2,246)	(20,388)	(14,134)	(10)	-	(193,186)
Transfers / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,760,041)	(2,760,041)
Balance as at December 31, 2011	534,811	178,750	3,074,329	42,150	26,517	25,995,365	785,736	427,725	191,927	346,768	1,404,431	18,224	2,735,036	35,761,769
Balance as at January 01, 2012	534,811	178,750	3,074,329	42,150	26,517	25,995,365	785,736	427,725	191,927	346,768	1,404,431	18,224	2,735,036	35,761,769
Additions during the year	-	-	1,815,124	-	-	376,670	363,379	54,846	17,863	109,670	143,251	1,970	1,745,412	4,628,185
Disposals	-	-	(991)	-	-	(907)	-	(25,129)	(11,575)	(25,410)	(28,111)	-	-	(92,123)
Transfers / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,478,257)	(2,478,257)
Balance as at December 31, 2012	534,811	178,750	4,888,462	42,150	26,517	26,371,128	1,149,115	457,442	198,215	431,028	1,519,571	20,194	2,002,191	37,819,574
DEPRECIATION														
Balance as at January 01, 2011	-	78,455	1,540,759	41,085	26,517	14,129,350	376,799	248,719	82,545	250,787	917,811	14,507	-	17,707,334
Charge for the year	-	14,072	125,064	107	-	711,739	143,483	36,561	15,256	23,363	124,472	1,852	-	1,195,969
Depreciation on disposals	-	-	(221)	-	-	(1,483)	(144,652)	(9,506)	(2,223)	(20,387)	(14,003)	(10)	-	(192,485)
Balance as at December 31, 2011	-	92,527	1,665,602	41,192	26,517	14,839,606	375,630	275,774	95,578	253,763	1,028,280	16,349	-	18,710,818
Balance as at January 01, 2012	-	92,527	1,665,602	41,192	26,517	14,839,606	375,630	275,774	95,578	253,763	1,028,280	16,349	-	18,710,818
Charge for the year	-	14,072	143,499	107	-	802,207	199,771	39,122	16,813	38,076	120,089	1,495	-	1,375,251
Depreciation on disposals	-	-	(921)	-	-	(907)	-	(22,916)	(7,122)	(25,411)	(27,973)	-	-	(85,250)
Balance as at December 31, 2012	-	106,599	1,808,180	41,299	26,517	15,640,906	575,401	291,980	105,269	266,428	1,120,396	17,844	-	20,000,819
Written down value as at														
- December 31, 2011	534,811	86,223	1,408,727	958	-	11,155,759	410,106	151,951	96,349	93,005	376,151	1,875	2,735,036	17,050,951
- December 31, 2012	534,811	72,151	3,080,282	851	-	10,730,222	573,714	165,462	92,946	164,600	399,175	2,350	2,002,191	17,818,755
Rate of depreciation in %	-	6 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	-	-

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
14.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	28	1,339,362	1,172,751
	Distribution cost	29	30,688	16,927
	Charged to FFBL under Inter Company Services Agreement		5,201	6,291
			1,375,251	1,195,969

14.2 **Details of property, plant and equipment disposed off:**

Description	Method of disposal	Cost	Book value	Sale proceeds
		(Rupees '000)		
Furniture & fixture and Office & electrical equipment				
Malik Kamran	Tenders	457	300	18
Insurance claims				
EFU Insurance		265	56	119
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		91,401	6,517	28,352
2012		92,123	6,873	28,489
2011		193,186	701	14,123

		Note	2012	2011
			(Rupees '000)	
14.3	**Capital Work in Progress**			
	Civil works including mobilisation advance		574,858	1,289,382
	Plant and machinery including advances to suppliers		1,424,293	1,322,740
	Intangible assets under development		3,040	122,914
			2,002,191	2,735,036
15.	INTANGIBLE ASSETS			
	Computer software	15.1	109,405	-
	Goodwill	15.2	1,569,234	1,569,234
			1,678,639	1,569,234
15.1	**Computer software**			
	Additions during the year		119,874	-
	Amortization charge for the year		(10,469)	-
			109,405	-
	Amortization Rate		3 years	-
	Amortization charge has been allocated as follows:			
	Cost of sales	28	6,980	-
	Distribution cost	29	2,487	-
	Charged to FFBL under Inter Company Services Agreement		1,002	-
			10,469	-

15.2 Goodwill

This represents excess of the amount paid over fair value of net assets of PSFL on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2012	2011
			(Rupees '000)	
16.	**LONG TERM INVESTMENTS**			
	Investment in associate – at cost			
	Fauji Cement Company Limited (FCCL)	16.1	1,500,000	1,500,000
	Investment in joint venture – at cost			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	16.2	705,925	705,925
	Investment in subsidiaries – at cost			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	16.3	4,752,330	4,752,330
	FFC Energy Limited (FFCEL)	16.4	2,300,000	1,450,000
	Investments available for sale	16.5		
	Certificates of Investment		111,528	108,961
	Pakistan Investment Bonds		60,491	162,043
	Term Finance Certificates		102,341	123,712
			274,360	394,716
			9,532,615	8,802,971
	Less: Current portion shown under short term investments	25		
	Investments available for sale			
	Certificates of Investment		12,395	22,507
	Pakistan Investment Bonds		-	104,706
	Term Finance Certificates		8,355	16,685
			20,750	143,898
			9,511,865	8,659,073

16.1 Investment in associate – at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of its share capital as at December 31, 2012. Market value of the Company's investment as at December 31, 2012 was Rs 613,125 thousand (2011: Rs 309,375 thousand). The recoverable amount of the investment in Fauji Cement Company Limited was tested for impairment based on value in use, in accordance with IAS - 36 "Impairment of Assets". The value in use calculations are based on cash flow projections based on the budget approved by management for 2012. These are then extrapolated for a period of 5 years using a steady long term expected growth of 3% p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using a post-tax discount rate of 13.07% p.a. Based on this calculation, no impairment has been accounted for.

Notes to the Financial Statements
for the year ended December 31, 2012

The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited (formarly Royal Bank of Scotland), remains outstanding or without prior consent of FCCL.

16.2 Investment in joint venture - at cost

The Company has 12.5% equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation, FFBL and Officie 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 is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMP's lenders.

16.3 Investment in FFBL - at cost

Investment in FFBL represents 475,233 thousand fully paid ordinary shares of Rs 10 each representing 50.88% of FFBL's share capital as at December 31, 2012. Market value of the Company's investment as at December 31, 2012 was Rs 18,339,241 thousand (2011: Rs 20,165,069 thousand).

16.4 Investment in FFCEL - at cost

16.4.1 Pursuant to the approval of the shareholders in the meeting held on February 24, 2010, during the year the Company has invested Rs 850,000 thousand in equity of FFCEL. FFCEL has been incorporated for the purpose of implementing a project comprising establishment and operation of wind power generation facility and supply of electricity. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700 thousand are held in the name of seven nominee directors of the Company in FFCEL.

16.4.2 All present and future, movable and fixed assets excluding immovable properties, land & buildings of the Company are secured against guarantees given by the banks in favour of National Transmission and Dispatch Company amounting to USD 1,732,500 on behalf of FFCEL.

16.5 Investments available for sale

Certificates of Investment (COI)

These represent placements in certificates of investment / Term Deposits of a financial institution for periods ranging from one to five years having returns in the range of 8.01% to 14.18% per annum (2011: 8.1% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 7 and 10 years tenure were purchased and are due to mature within a period of 3 years. Profit is receivable on half yearly basis with coupon rates ranging from 8% to 11.75% per annum (2011: 8% to 11.75% per annum). These PIBs have face value of Rs 59 million.

Term Finance Certificates (TFCs)

These include 1,664 & 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Fertilizer Limited respectively. Profit is receivable on half yearly basis at the rate of six months' KIBOR + 2.85% and six months' KIBOR + 1.55% per annum respectively.

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
17.	**LONG TERM LOANS AND ADVANCES - SECURED**			
	Loans and advances - considered good, to:			
	Executives		700,878	625,590
	Other employees		238,820	199,709
			939,698	825,299
	Less: Amount due within twelve months, shown			
	under current loans and advances	22	238,912	219,416
			700,786	605,883

17.1 Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening balance January 01, 2012	Disbursements	Repayments	Closing balance December 31, 2012
	(Rupees '000)			
Executives	625,590	336,094	260,806	700,878
Other employees	199,709	112,082	72,971	238,820
2012	825,299	448,176	333,777	939,698
2011	682,736	365,751	223,188	825,299

These represent secured house building loans, house rent advances and advances pursuant to agreement with employees which are repayable within one to ten years. House building loans carry mark-up at 7% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 700,878 thousand (2011: Rs 625,590 thousand).

		Note	2012	2011
			(Rupees '000)	
18.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Deposits		5,111	8,149
	Prepayments	18.1	217,202	1,221
			222,313	9,370

18.1 This includes prepayment of Rs 217,202 thousand (2011: Rs Nil) to pension fund. Also refer Note 10.

		2012	2011
		(Rupees '000)	
19.	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	233,566	140,566
	Spares	2,715,286	2,467,085
	Provision for slow moving items	(302,164)	(273,970)
		2,413,122	2,193,115
	Loose tools	43	279
	Items in transit	452,207	113,492
		3,098,938	2,447,452

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
20.	**STOCK IN TRADE**			
	Raw materials		40,963	81,038
	Work in process		45,216	17,522
	Finished goods - manufactured urea		80,055	7,538
	- purchased fertilizer		274,029	144,090
	Stocks in transit		1,876	386,735
			442,139	636,923
21.	**TRADE DEBTS**			
	Considered good:			
	Secured		3,542,257	86,640
	Unsecured	21.1	69,219	29
			3,611,476	86,669
	Considered doubtful		1,758	1,758
			3,613,234	88,427
	Provision for doubtful debts		(1,758)	(1,758)
			3,611,476	86,669

21.1 This includes unsecured balance of Rs Nil (2011: Rs 29,000) due from Fauji Foundation, an associated undertaking.

		Note	2012	2011
			(Rupees '000)	
22.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	17	238,912	219,416
	Loans and advances-unsecured, considered good			
	- Executives		261,717	106,420
	- Others		49,318	21,648
	Advances to suppliers - considered good		128,030	84,098
			677,977	431,582
23.	**DEPOSITS AND PREPAYMENTS**			
	Deposits		953	3,786
	Prepayments		34,717	50,066
			35,670	53,852
24.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		98,152	277,680
	Sales tax receivable		42,486	42,486
	Advance tax	24.1	322,368	322,368
	Receivable from Workers' Profit Participation Fund - unsecured	24.2	69,919	39,304
	Receivable from FFC Energy Limited - unsecured		5,458	18,256
	Other receivables - considered good		50,284	191,579
	- considered doubtful		2,232	2,232
			52,516	193,811
	Provision for doubtful receivables		(2,232)	(2,232)
			50,284	191,579
			588,667	891,673

24.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Company intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

		Note	2012	2011
			(Rupees '000)	
24.2	**Workers' Profit Participation Fund**			
	Balance at beginning of the year		39,304	11,021
	Allocation for the year		(1,665,449)	(1,780,493)
	Adjustment for prior years		5,571	-
	Receipt from fund during the year	24.2.1	(44,507)	(16,224)
	Payment to fund during the year		1,735,000	1,825,000
			69,919	39,304

24.2.1 This represents amount paid to WPPF in prior year in excess of Company's obligation.

		Note	2012	2011
			(Rupees '000)	
25.	**SHORT TERM INVESTMENTS**			
	Term deposits with banks and financial institutions			
	Loans and receivables			
	Local currency (Net of provision for doubtful recovery			
	Rs 5,850 thousand (2011: Rs 7,800 thousand)).	25.1	16,800,000	18,675,000
	Foreign currency	25.1	1,208,683	1,028,608
			18,008,683	19,703,608
	Investments at fair value through profit and loss - Held for trading			
	Meezan Balanced Fund	25.2	115,600	91,000
	National Investment Trust	25.2	599,100	467,511
	KASB Cash Fund / AMZ Plus Income Fund			
	(Net of provision for doubtful recovery			
	Rs Nil (2011: Rs 25,453 thousand)	25.2	6,863	56,524
	GOP Market Treasury Bills		-	1,331,939
	Current maturity of long term investments			
	Available for sale	16	20,750	143,898
			18,750,996	21,794,480

25.1 These represent investments having maturities ranging between 1 to 12 months. Term Deposits amounting to Rs 2,650,000 thousand (2011: Rs 1,450,000 thousand) are under lien of an islamic financial institution in respect of Istisna facility availed.

25.2 Fair values of these investments are determined using quoted market price and redemption / repurchase price, whichever is applicable.

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
26.	**CASH AND BANK BALANCES**			
	At banks			
	Deposit accounts			
	Local currency		3,729,010	1,206,093
	Foreign currency		16,167	85,232
			3,745,177	1,291,325
	Cash in hand		3,455	2,449
			3,748,632	1,293,774

Balances with banks include Rs 188,261 thousand (2011: Rs 180,825 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 93,600 thousand (2011: Rs 17,192 thousand) under lien of a bank, against a guarantee issued on behalf of the Company.

27. SALES

Sales include Rs 4,951,027 thousand (2011: Rs 668,787 thousand) in respect of sale of purchased fertilizers and are exclusive of sales tax of Rs 11,891,582 thousand (2011: Rs 7,431,849 thousand).

		Note	2012	2011
			(Rupees '000)	
28.	**COST OF SALES**			
	Raw materials consumed		18,479,391	6,931,091
	Fuel and power		6,458,380	5,209,357
	Chemicals and supplies		253,756	275,262
	Salaries, wages and benefits		3,966,282	3,715,936
	Training and employees welfare		611,338	505,877
	Rent, rates and taxes	28.1	28,118	30,351
	Insurance		150,334	171,097
	Travel and conveyance	28.1	347,763	399,316
	Repairs and maintenance (includes stores and spares consumed of Rs 1,032,778 thousand; (2011: Rs 626,314 thousand)	28.2	1,189,644	1,002,439
	Depreciation	14.1	1,339,362	1,172,751
	Amortization	15.1	6,980	-
	Communication and other expenses		1,248,350	890,597
	Opening stock - work in process		17,522	28,075
	Closing stock - work in process		(45,216)	(17,522)
	Cost of goods manufactured		34,052,004	20,314,627
	Opening stock of manufactured urea		7,538	105,609
	Closing stock of manufactured urea		(80,055)	(7,538)
			(72,517)	98,071
	Cost of sales - own manufactured urea		33,979,487	20,412,698
	Opening stock of purchased fertilizers		144,090	-
	Purchase of fertilizers for resale		4,474,813	603,151
			4,618,903	603,151
	Closing stock of purchased fertilizers		(274,029)	(144,090)
	Cost of sales- purchased fertilizers		4,344,874	459,061
			38,324,361	20,871,759

Notes to the Financial Statements
for the year ended December 31, 2012

28.1 These include operating lease rentals amounting to Rs 42,498 thousand (2011: Rs 48,967 thousand).

28.2 This includes provision for slow moving spares amounting to Rs 28,194 thousand (2011: Rs 36,772 thousand).

		Note	2012	2011
			(Rupees '000)	
29.	**DISTRIBUTION COST**			
	Product transportation		3,523,928	2,838,703
	Salaries, wages and benefits		1,171,538	1,003,151
	Training and employees welfare		62,625	52,516
	Rent, rates and taxes	29.1	98,185	78,334
	Technical services to farmers		9,916	8,556
	Travel and conveyance	29.1	152,503	148,355
	Sale promotion and advertising		80,365	52,633
	Communication and other expenses		322,137	137,872
	Warehousing expenses		106,315	35,104
	Depreciation	14.1	30,688	16,927
	Amortization	15.1	2,487	-
			5,560,687	4,372,151

29.1 These include operating lease rentals amounting to Rs 106,646 thousand (2011: Rs 82,698 thousand).

		2012	2011
		(Rupees '000)	
30.	**FINANCE COST**		
	Mark up on long term borrowings	506,765	704,652
	Mark up on short term borrowings	427,657	60,962
	Bank and other charges	65,035	20,211
		999,457	785,825
31.	**OTHER EXPENSES**		
	Research and development	394,876	208,692
	Workers' Profit Participation Fund	1,665,449	1,780,493
	Adjustment in WPPF relating to prior year charge	(5,571)	-
	Workers' Welfare Fund	628,381	663,321
	Auditors' remuneration		
	Audit fee	1,500	1,360
	Fee for half yearly review, audit of consolidated accounts, certifications and other services	501	915
	Out of pocket expenses	100	100
		2,685,236	2,654,881

Notes to the Financial Statements
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
32.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments	1,096,741	1,702,517
	Gain / (loss) on re-measurement of investments	151,194	(42,373)
	Dividend income	82,177	89,702
	Exchange gain	129,374	49,224
	Reversal of provision for impairment	27,403	-
	Income from subsidiary		
	Commission on sale of FFBL products	17,805	21,911
	Dividend from FFBL	2,732,590	4,752,330
	Income from non financial assets		
	Gain on disposal of property, plant and equipment	21,616	13,422
	Other income		
	Scrap sales	4,972	37,992
	Others	3,980	4,776
		4,267,852	6,629,501
33.	**PROVISION FOR TAXATION**		
	Provision for taxation - Current	10,005,000	10,734,000
	- Deferred	176,000	(60,000)
		10,181,000	10,674,000
	Reconciliation of tax charge for the year		
	Profit before taxation	31,020,723	33,166,053

	2012	2011
	%	%
Reconciliation of tax charge for the year		
Applicable tax rate	35.00	35.00
Add: Tax effect of additional surcharge	-	1.36
Less: Tax effect of amounts taxed at lower rates	(2.27)	(3.65)
Tax effect of permanent differences	0.09	(0.53)
Average effective tax rate charged on income	32.82	32.18

The Company has revised its income tax returns relating to tax years 2007, 2008 and 2009 in 2010 and tax years 2009 and 2010 in 2011, under the provisions of the Income Tax Ordinance, 2001.

Notes to the Financial Statements
for the year ended December 31, 2012

		2012	2011 (Restated)
34.	**EARNINGS PER SHARE**		
	Net profit after tax (Rupees '000)	20,839,723	22,492,053
	Number of shares in issue during the year ('000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	16.38	17.68

There is no dilutive effect on the basic earnings per share of the Company. Number of shares in issue and earnings per share for the year ended December 31, 2011 have been restated by taking into effect, the bonus shares issued during the current year @ 50%.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are given below:

	2012		2011	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	7,380	1,104,901	5,695	914,732
Contribution to provident fund	486	69,654	374	57,480
Bonus and other awards	4,100	1,200,358	6,670	992,194
Others including gratuity	5,620	810,242	3,490	650,440
Total	17,586	3,185,155	16,229	2,614,846
No. of person(s)	1	546	1	472

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 3,558 thousand (2011: Rs Nil) and Rs 81,584 thousand (2011: Rs 5,031 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 14 (2011: 14) directors were paid aggregate fee of Rs 6,250 thousand (2011: Rs 1,700 thousand).

Notes to the Financial Statements
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
36.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	31,020,723	33,166,053
	Adjustments for:		
	Depreciation	1,370,050	1,189,678
	Amortization	9,467	-
	Provision for slow moving spares	28,194	36,772
	Provision for gratuity	133,582	115,634
	Provision for pension	103,580	222,162
	Provision for Workers' Profit Participation Fund	1,665,449	1,780,493
	Provision for Workers' Welfare Fund	628,381	663,321
	Finance cost	999,457	785,825
	Income on loans, deposits and investments	(1,096,741)	(1,702,517)
	Gain on sale of property, plant and equipment	(21,616)	(13,422)
	Exchange gain - net	(129,374)	(49,224)
	Adjustment in WPPF relating to prior year charge	(5,571)	-
	(Gain) / loss on re-measurement of investments - Held for trading	(151,194)	42,373
	Dividend income	(2,814,767)	(4,842,032)
		718,897	(1,770,937)
		31,739,620	31,395,116
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(679,680)	(44,023)
	Stock in trade	194,784	(425,203)
	Trade debts	(3,524,807)	271,287
	Loans and advances	(246,395)	(95,313)
	Deposits and prepayments	18,182	(3,664)
	Other receivables	154,093	(23,912)
	Increase in current liabilities:		
	Trade and other payables	4,100,243	2,115,458
		16,420	1,794,630
	Changes in long term loans and advances	(94,903)	(150,555)
	Changes in long term deposits and prepayments	4,259	(333)
	Changes in deferred liabilities	93,494	82,829
		31,758,890	33,121,687
36.1	**Cash flows from operating activities (direct method)**		
	Cash receipts from customers - net	71,794,189	54,129,431
	Cash paid to suppliers /service providers and employees - net	(40,035,299)	(21,007,744)
	Payment to gratuity fund	(83,040)	(75,241)
	Payment to pension fund	(454,661)	(109,220)
	Payment to Workers' Welfare Fund - net	(594,784)	(329,070)
	Payment to Workers' Profit Participation Fund - net	(1,690,493)	(1,808,776)
	Finance cost paid	(1,054,362)	(843,967)
	Income tax paid	(9,235,297)	(10,398,028)
		18,646,253	19,557,385
37.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	3,748,632	1,293,774
	Short term running finance	(4,990,000)	(8,735,650)
	Short term highly liquid investments	17,812,437	17,405,123
		16,571,069	9,963,247

38. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of 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 analyse 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.

38.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments 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:

	2012	2011
	(Rupees '000)	
Long term investments	253,610	250,818
Loans and advances	1,250,733	953,367
Deposits	6,064	11,935
Trade debts - net of provision	3,611,476	86,669
Other receivables - net of provision	223,813	526,819
Short term investments - net of provision	18,750,996	21,794,480
Bank balances	3,745,177	1,291,325
	27,841,869	24,915,413

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 a bank which amounts to Rs 7,031,505 thousand (2011: Rs 6,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

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 only with counter parties that have high credit rating. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, management does not expect any counter party to fail to meet its obligations.

Notes to the Financial Statements
for the year ended December 31, 2012

Impairment losses

The aging of trade debts at the reporting date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	3,288,089	-	77,356	-
Past due 1-30 days	301,338	-	8,558	-
Past due 31-60 days	18,311	-	755	-
Past due 61-90 days	3,738	-	-	-
Over 90 days	1,758	1,758	1,758	1,758
	3,613,234	1,758	88,427	1,758

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 5,850 thousand, Rs Nil and Rs 2,233 thousand (2011: Rs 7,800 thousand, Rs 25,453 thousand and Rs 2,233 thousand) in respect of its available-for-sale investments, held for trading investments and other receivables respectively.

38.2 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 liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash 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 12 to the financial statements.

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

2012	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term borrowings	5,321,780	6,662,862	1,064,623	918,316	1,865,838	2,814,085	-
Trade and other payables	7,710,076	7,710,076	7,710,076	-	-	-	-
Short term borrowings	4,996,891	4,996,891	4,996,891	-	-	-	-
	18,028,747	19,369,829	13,771,590	918,316	1,865,838	2,814,085	-

2011	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term borrowings	4,383,839	5,481,390	1,164,153	983,458	1,412,026	1,921,753	-
Trade and other payables	5,512,778	5,512,778	5,512,778	-	-	-	-
Short term borrowings	8,751,042	8,751,042	8,751,042	-	-	-	-
	18,647,659	19,745,210	15,427,973	983,458	1,412,026	1,921,753	-

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

Notes to the Financial Statements
for the year ended December 31, 2012

38.2.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in notes 7 and 12 to these financial statements.

38.3 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 interest rate risk, currency risk and market price risk.

38.3.1 Currency risk

Exposure to Currency Risk

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

	2012			2011		
	Rupees '000	US Dollar '000	Euro '000	Rupees '000	US Dollar '000	Euro '000
Bank balance	16,167	166	-	85,232	95	662
Investments (Term deposit receipts)	1,208,683	12,435	-	1,028,608	11,480	-

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2012	2011	2012	2011
US Dollars	92.60	85.66	97.20	89.60
Euro	-	119.24	-	115.96

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31, would have decreased profit and loss by Rs 122,515 thousand (2011: Rs 111,384 thousand). A 10% weakening of the functional currency against USD at December 31, would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

Notes to the Financial Statements
for the year ended December 31, 2012

38.3.2 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 and long 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	
	2012	2011
	(Rupees '000)	
Fixed rate instruments		
Financial assets	21,925,879	23,423,175
Variable rate instruments		
Financial assets	102,341	123,712
Financial liabilities	10,293,750	13,055,055

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to variations in profit and loss on its fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date 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 2011.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2012		
Cash flow sensitivity - Variable rate instruments	(75,785)	75,785
December 31, 2011		
Cash flow sensitivity - Variable rate instruments	(52,153)	52,153

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 1,059 thousand after tax (2011: Rs 2,290 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as held for trading, the impact on profit and loss would have been an increase or decrease by Rs 7,232 thousand after tax (2011: Rs 6,522 thousand). The analysis is performed on the same basis for 2011 and assumes that all other variables remain the same.

38.4 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, 2012 Carrying amount	December 31, 2012 Fair value	December 31, 2011 Carrying amount	December 31, 2011 Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Loans and advances	17 & 22	1,250,733	1,250,733	953,367	953,367
Deposits	18 & 23	6,064	6,064	11,935	11,935
Trade debts - net of provision	21	3,611,476	3,611,476	86,669	86,669
Other receivables	24	223,813	223,813	526,819	526,819
Short term investments	25	18,008,683	18,008,683	19,703,608	526,819
Cash and bank balances	26	3,748,632	3,748,632	1,293,774	1,293,774
		26,849,401	26,849,401	22,576,172	3,399,383
Assets carried at fair value					
Long term investments	16	253,610	253,610	250,818	250,818
Short term investments	25	742,313	742,313	2,090,872	21,794,480
		995,923	995,923	2,341,690	22,045,298
Liabilities carried at amortized cost					
Long term borrowings	7	5,321,780	5,321,780	4,383,839	4,383,839
Trade and other payables	9	7,710,076	7,710,076	5,512,778	5,512,778
Short term borrowings	12	4,996,891	4,996,891	8,751,042	8,751,042
		18,028,747	18,028,747	18,647,659	18,647,659

The basis for determining fair values is as follows:

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. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and in the rate of instrument and most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying 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).

Notes to the Financial Statements
for the year ended December 31, 2012

	Level 1	Level 2 Rupees '000	Level 3
December 31, 2012			
Assets carried at fair value			
Available for sale investments	102,341	172,019	-
Investments held for trading	721,563	-	-
	823,904	172,019	-
December 31, 2011			
Assets carried at fair value			
Available for sale investments	123,712	271,004	-
Investments held for trading	615,035	1,331,939	-
	738,747	1,602,943	-

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

38.5 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.

Investments at 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.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investments in associate and subsidiary

The fair value of investment in listed associate and subsidiary 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 as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This 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.

38.6 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.

39. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2011: 44.35%) shares of the Company at the year end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 17, 22 and 35 to the financial statements respectively.

	2012	2011
	(Rupees '000)	
Transactions with subsidiary companies		
Marketing of fertilizer on behalf of subsidiary company under sale on consignment basis	605,544	617,876
Commission on sale of subsidiary company's products	17,805	21,911
Services and materials provided	12,807	36,944
Payments under consignment account	52,718,382	59,617,887
Services and materials received	1,239	1,104
Dividend income - net	2,459,331	4,277,097
Balance payable at the year end - unsecured	2,969,967	2,124,704
Balance receivable at the year end - unsecured	5,458	18,256
Long term investment	850,000	800,000
Company's assets are secured against guarantees given by the banks on behalf of FFCEL, refer note 16.4.2.		
Transactions with associated undertakings / companies due to common directorship		
Sale of fertilizer	14,686	-
Medical services	62	72
Office rent	3,753	4,166
Dividend paid - net	7,109,394	5,941,423
Bonus shares issues	1,880,792	752,317
Purchase of gas as feed and fuel stock	23,501,851	10,741,818
Services received	237,087	73,678
Others (including donations)	224,022	174,786
Balance receivable at the year end - unsecured (included in note 24)	6,611	3,307
Balance payable at the year end - unsecured	1,398	242
Other related parties		
Payments to:		
Employees' Provident Fund Trust	269,285	235,829
Employees' Gratuity Fund Trust	83,040	75,241
Employees' Pension Fund Trust	454,661	109,220
Others:		
Receipt from fund during the year	44,507	16,224
Payment to fund during the year	1,735,000	1,825,000
Balances payable at the year - end	129,595	212,932
Balances receivable at the year - end, unsecured	69,919	39,304
Remuneration of key management personnel	23,836	17,929
Prepayment to Pension Fund	217,202	-

Notes to the Financial Statements
for the year ended December 31, 2012

40. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 23, 2013 has proposed a final dividend of Rs 5 per share and a movement from unappropriated profit to general reserve of Rs 1,300 million.

41. GENERAL

		2012	2011
		(Tonnes '000)	
41.1	**Production capacity**		
	Design capacity	2,048	2,048
	Production during the year	2,405	2,396

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 2,244,226 thousand and Rs 10,730,000 thousand (2011: Rs 2,231,232 thousand and Rs 13,550,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company along with Corporate Guarantee of the Company in a particular case.

41.3 During the year, donation amounting to Rs 55,000 thousand (2011: Rs 70,000 thousand) was paid to the projects of Fauji Foundation, Fauji Towers Tipu Road, Rawalpindi (associated undertaking). Directors' interest in the projects of Fauji Foundation is limited to the extent of their involvement in Fauji Foundation as management personnel:

2012	2011
Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)	Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat
Maj Gen Zahid Parvez, HI (M) (Retd)	Maj Gen Zahid Parvez, HI (M) (Retd)
Brig Agha Ali Hassan, SI (M) (Retd)	Brig Agha Ali Hassan, SI (M) (Retd)
Brig Dr. Gulfam Alam, SI (M) (Retd)	Brig Dr. Gulfam Alam, SI (M) (Retd)

Donation expense for the year also included Rs 101,200 thousand (2011: Rs 65,000 thousand), paid to Sona Welfare Foundation, 93, Harley Street, Rawalpindi (associated undertaking). Interest of Lt Gen Naeem Khalid Lodhi, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

41.4 These Financial Statements have been authorised for issue by the Board of Directors of the Company on January 23, 2013.

Chairman | Chief Executive | Director

Consolidated Financial Statements

Fauji Fertilizer Company Limited

Auditors' Report to the Members
of Fauji Fertilizer Company Limited

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Company Limited and its subsidiary companies as at 31 December 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Fauji Fertilizer Company Limited and its subsidiary companies namely Fauji Fertilizer Bin Qasim Limited and FFC Energy Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Fauji Fertilizer Company Limited and its subsidiary companies as at 31 December 2012 and the results of their operations for the year then ended.

Islamabad
January 23, 2013

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Consolidated Balance Sheet
as at December 31, 2012

	Note	2012	2011
		(Rupees '000)	
EQUITY AND LIABILITIES			
ATTRIBUTABLE TO EQUITY HOLDERS OF FAUJI FERTILIZER COMPANY LIMITED			
Share capital	4	12,722,382	8,481,588
Capital reserves	5	1,001,061	972,682
Revenue reserves	6	14,616,175	16,308,762
		28,339,618	25,763,032
NON - CONTROLLING INTERESTS		6,194,921	6,688,550
TOTAL EQUITY		34,534,539	32,451,582
NON - CURRENT LIABILITIES			
Long term borrowings	7	13,643,915	10,080,890
Deferred liabilities	8	7,811,959	7,504,401
		21,455,874	17,585,291
CURRENT LIABILITIES			
Trade and other payables	9	24,044,655	20,956,921
Interest and mark-up accrued	11	308,611	496,159
Short term borrowings	12	14,206,660	16,211,794
Current portion of long term:			
- Borrowing	7.1	1,740,517	1,615,655
- GOP loan	7.3	2,008,682	648,201
Taxation - net		5,000,827	4,425,068
		47,309,952	44,353,798
		103,300,365	94,390,671
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2012	2011
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	42,679,047	37,161,882
Intangible assets	15	1,687,919	1,615,633
Equity accounted investments	16	6,398,247	5,503,123
Other long term investments	16	253,610	250,818
Long term loans and advances	17	700,786	605,883
Long term deposits and prepayments	18	300,864	90,487
		52,020,473	45,227,826
CURRENT ASSETS			
Stores, spares and loose tools	19	5,110,420	4,353,190
Stock in trade	20	5,318,444	4,043,916
Trade debts	21	6,080,551	733,185
Loans and advances	22	1,126,040	872,320
Deposits and prepayments	23	59,564	67,009
Other receivables	24	710,611	1,055,982
Short term investments	25	20,300,996	30,632,717
Cash and bank balances	26	12,573,266	7,404,526
		51,279,892	49,162,845
		103,300,365	94,390,671

Chairman Chief Executive Director

Consolidated Profit and Loss Account
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees '000)	
Sales	27	122,251,581	111,111,913
Cost of sales	28	74,774,403	56,625,023
GROSS PROFIT		47,477,178	54,486,890
Administrative expenses and distribution cost	29	9,224,547	7,731,516
		38,252,631	46,755,374
Finance cost	30	2,691,660	1,824,471
Other expenses	31	3,251,369	3,831,447
		32,309,602	41,099,456
Other income	32	2,429,728	3,228,875
Share in profit of equity accounted investments	16.1	71,576	409,077
NET PROFIT BEFORE TAXATION		34,810,906	44,737,408
Provision for taxation	33	12,317,707	16,096,233
NET PROFIT AFTER TAXATION		22,493,199	28,641,175
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		20,362,105	23,351,868
Non - controlling interests		2,131,094	5,289,307
		22,493,199	28,641,175

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

Chairman | Chief Executive | Director

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2012

	2012	2011
	(Rupees '000)	
Net profit after taxation	22,493,199	28,641,175
Other comprehensive income for the year		
Exchange difference on translating foreign investment	42,198	(597)
(Deficit) / surplus on remeasurement of investments available for sale	(1,356)	18,802
	40,842	18,205
Income tax relating to component of other comprehensive income	(1,207)	(2,990)
Other comprehensive income for the year - net of tax	39,635	15,215
Total comprehensive income for the year	22,532,834	28,656,390
ATTRIBUTABLE TO:		
Equity holders of Fauji Fertilizer Company Limited	20,387,921	23,367,279
Non - controlling interests	2,144,913	5,289,111
	22,532,834	28,656,390

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

Chairman | Chief Executive | Director

Consolidated Cash Flow Statement
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	36,911,459	49,367,836
Finance cost paid		(3,658,326)	(1,413,481)
Income tax paid		(11,523,193)	(15,645,446)
Payment to pension fund		(454,661)	(109,220)
Compensated absences paid		(95,226)	(110,263)
Payment to gratuity fund		(117,457)	(121,523)
Payment to Workers' Welfare Fund		(594,784)	(329,070)
Payment to Workers' Profit Participation Fund - net		(2,038,655)	(2,729,781)
		(18,482,302)	(20,458,784)
Net cash generated from operating activities		18,429,157	28,909,052
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(7,264,228)	(8,702,512)
Proceeds from sale of property, plant and equipment		39,246	20,169
Dividend received		577,457	1,003,657
Interest received		1,643,744	1,931,355
Decrease / (increase) in investments		10,086,332	(11,093,762)
Net cash generated from / (used in) investing activities		5,082,551	(16,841,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		7,700,000	4,636,138
- repayments		(2,663,856)	(2,616,078)
Long term murabaha - repayments		-	(19,338)
Short term borrowings - net		(2,800,000)	2,168,762
Dividends paid		(20,674,225)	(19,150,348)
Net cash used in financing activities		(18,438,081)	(14,980,864)
Net increase / (decrease) in cash and cash equivalents		5,073,627	(2,912,905)
Cash and cash equivalents at beginning of the year		16,242,855	19,131,867
Effect of exchange rate changes		7,561	23,893
Cash and cash equivalents at end of the year	35	21,324,043	16,242,855

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

Chairman | Chief Executive | Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2012

	Attributable to equity holders of Fauji Fertilizer Company Limited								
		Capital reserves			Revenue reserves				
	Share capital	Capital reserve	Translation reserve	Statutory reserve	(Deficit)/surplus on remeasurement of available for sale investments to fair value	General reserve	Unappropriated profit	Non-controlling Interests	Total
	(Rupees '000)								
Balance at January 01, 2011	6,785,271	276,184	690,463	6,436	(5,554)	4,239,471	5,288,670	5,988,208	23,269,149
Transfer to general reserve	-	-	-	-	-	3,000,000	(3,000,000)	-	-
Total comprehensive income for the year									
Profit for the year after taxation	-	-	-	-	-	-	23,351,868	5,289,307	28,641,175
Total other comprehensive income for the year	-	-	(401)	-	15,812	-	-	(196)	15,215
Total comprehensive income for the year - net of tax	-	-	(401)	-	15,812	-	23,351,868	5,289,111	28,656,390
Distribution to owners									
FFC dividends:									
Issue of bonus shares	1,696,317	-	-	-	-	(1,696,317)	-	-	-
Final dividend 2010: Rs 3.50 per share	-	-	-	-	-	-	(2,374,845)	-	(2,374,845)
First interim dividend 2011: Rs 4.50 per share	-	-	-	-	-	-	(3,816,715)	-	(3,816,715)
Second interim dividend 2011: Rs 4.75 per share	-	-	-	-	-	-	(4,028,754)	-	(4,028,754)
Third interim dividend 2011: Rs 5.50 per share	-	-	-	-	-	-	(4,664,874)	-	(4,664,874)
Dividend by FFBL to non - controlling interest holders									
Final dividend 2010: Rs 3.50 per share	-	-	-	-	-	-	-	(1,606,069)	(1,606,069)
First interim dividend 2011: Rs 1.25 per share	-	-	-	-	-	-	-	(573,596)	(573,596)
Second interim dividend 2011: Rs 2.25 per share	-	-	-	-	-	-	-	(1,032,473)	(1,032,473)
Third interim dividend 2011: Rs 3.00 per share	-	-	-	-	-	-	-	(1,376,631)	(1,376,631)
Total transactions with owners	1,696,317	-	-	-	-	(1,696,317)	(14,885,188)	(4,588,769)	(19,473,957)
Balance as at December 31, 2011	8,481,588	276,184	690,062	6,436	10,258	5,543,154	10,755,350	6,688,550	32,451,582
Balance at January 01, 2012	8,481,588	276,184	690,062	6,436	10,258	5,543,154	10,755,350	6,688,550	32,451,582
Transfer to general reserve	-	-	-	-	-	4,200,000	(4,200,000)	-	-
Total comprehensive income for the year									
Profit for the year after taxation	-	-	-	-	-	-	20,362,105	2,131,094	22,493,199
Total other comprehensive income for the year	-	-	28,379	-	(2,563)	-	-	13,819	39,635
Total comprehensive income for the year - net of tax	-	-	28,379	-	(2,563)	-	20,362,105	2,144,913	22,532,834
Distribution to owners									
FFC dividends:									
Issue of bonus shares	4,240,794	-	-	-	-	(4,240,794)	-	-	-
Final dividend 2011: Rs 5.25 per share	-	-	-	-	-	-	(4,452,834)	-	(4,452,834)
First interim dividend 2012: Rs 3.00 per share	-	-	-	-	-	-	(3,816,715)	-	(3,816,715)
Second interim dividend 2012: Rs 5.00 per share	-	-	-	-	-	-	(6,361,191)	-	(6,361,191)
Third interim dividend 2012: Rs 2.50 per share	-	-	-	-	-	-	(3,180,595)	-	(3,180,595)
Dividend by FFBL to non - controlling interest holders									
Final dividend 2011: Rs 3.50 per share	-	-	-	-	-	-	-	(1,606,069)	(1,606,069)
Interim dividend 2012: Rs 2.25 per share	-	-	-	-	-	-	-	(1,032,473)	(1,032,473)
Total transactions with owners	4,240,794	-	-	-	-	(4,240,794)	(17,811,335)	(2,638,542)	(20,449,877)
Balance as at December 31, 2012	12,722,382	276,184	718,441	6,436	7,695	5,502,360	9,106,120	6,194,921	34,534,539

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

Chairman | Chief Executive | Director

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiary, Fauji Fertilizer Bin Qasim Limited (FFBL) are incorporated in Pakistan as public limited companies and their shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered offices of the companies are situated in Rawalpindi, Pakistan. FFC and FFBL are domiciled in Rawalpindi. The principal activity of FFC and FFBL is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical and other manufacturing / service operations.

FFC Energy Limited (FFCEL) (subsidiary) is a public limited company. The registered office of FFCEL is situated in Rawalpindi. FFCEL is setting up a 49.5 MW wind power energy project at Jhampir, Distt Thatta, Sindh. Currently FFCEL is in the process of carrying out reliablity run tests (RRT) and the commercial operations are dependent on successful completion of these tests.

FFC, FFBL and FFCEL are collectively referred to as ("the Group companies") in these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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 of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated 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 pension which is carried at present value of defined benefit obligation net of fair value of plan assets and unrecognized actuarial losses.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group companies' functional currency. All financial information presented in Pak Rupee have been rounded to the nearest thousand.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of FFC and its subsidiary companies. FFC has 50.88% (2011: 50.88%) shareholding interest in FFBL. In FFCEL, FFC currently holds 100% shareholding interest.

Subsidiaries

Subsidiaries are those enterprises in which parent 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. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the parent company is eliminated against parent company's share in paid up capital of the subsidiaries.

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

Investments in associates and jointly controlled entities (equity accounted investees)

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group companies' investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group companies share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group companies, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group companies' share of losses exceeds their interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group companies have an obligation or have made payments on behalf of the investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group companies' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Retirement benefits

FFC and FFBL operate the following retirement benefit schemes:

Funded gratuity scheme

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Contributory Provident Fund

Defined contributory provident fund for all eligible employees for which contributions are charged to profit and loss account.

Funded Pension Scheme

FFC has defined benefit funded pension for eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 10 to the consolidated financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees.

Calculation of gratuity and pension require assumptions to be made of future outcomes which mainly includes increase in remuneration, 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.

Compensated absences

The Group companies have the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the consolidated financial statements.

3.3 Taxation

Income tax expense comprises current and deferred tax.

Current

Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.
Provision for current taxation is based on taxable income at the applicable rate of taxation after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax 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 realised.

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 investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. 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 realised simultaneously.

The Group companies take into account the current Income Tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the Income Tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

3.4 Operating fixed assets

Property, plant and equipment

Property, plant and equipment including those acquired on PSFL acquisition, are stated at cost less accumulated depreciation and impairment loss, if any except for freehold land and capital work in progress, which are stated at cost less impairment, if any. Cost comprises acquisition and other directly attributable costs. Property, plant and equipment acquired on PSFL acquisition are stated at their cost to FFC, which represents their fair value on acquisition, less accumulated depreciation.

Depreciation is provided on the straight-line basis 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 14. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

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 Group companies 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.

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 and loss account.

The Group companies review the useful life 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 equipment with a corresponding effect on the depreciation charge and impairment.

3.5 Impairment

The carrying amount of the Group companies' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. For non-financial assets and available for sale financial assets that are debt securities, the reversal is recognized in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in comprehensive income.

3.6 Intangibles

3.6.1 Computer software

These 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. These 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.

3.6.2 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

3.7 Investments

3.7.1 Investments available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to statement of comprehensive income until disposal at which time these are recycled to profit and loss account.

3.7.2 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 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.

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

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.7.3 Acquisition under common control

Acquisition under common control of the shareholder is initially recognized using a fair value accounting basis applying the requirements of IFRS 3 "Business Combinations". All the acquisitions under common control are accounted for from the year in which the acquisition takes place without restating the Group companies' (acquirer) comparative financial statements.

3.7.4 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are measured at amortized cost using the effective interest method, less any impairment losses.

The Group companies recognize the regular way purchase or sale of financial assets using settlement date accounting.

3.8 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. The Group companies review the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and / or physical form of related stores, spares and loose tools. Impairment is also made for slow moving items.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

3.9 Stock in trade

Stocks are valued at the lower of cost and net realisable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost and directly attributable expenses
Work in process and finished goods	at weighted average cost of purchase, raw materials and related manufacturing expenses

Net realisable 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.

The Group companies review the carrying amount of stock in trade and stores, spares and loose tools (note 3.8) 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 / or physical form of related inventory.

3.10 Foreign currencies

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 the transactions. Exchange differences are included in profit and loss account for the year.

Investment in foreign joint venture

The results and financial position of joint venture that have a functional currency different from Pak Rupees are translated into Pak Rupees as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- income and expense are translated at the average exchange rates for the period.
- share capital is translated at historical exchange rate.

All resulting exchange differences are recognized in other comprehensive income within statement of comprehensive income. The Group companies have been recognising such differences in translation reserve over the years. When a foreign investment is sold, in part or in full, the relevant amount in the translation reserve is transferred to profit and loss account as part of the profit or loss on sale.

3.11 Revenue recognition

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 and trade discounts. Scrap sales and miscellaneous receipts are recognized on realised amounts.

3.12 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at their amortized cost less subsequent repayments.

3.13 Fertilizer subsidy for farmers

Subsidy on potassic and phosphatic fertilizers announced by the GOP for farmers is recognized in the profit and loss account by adjusting the amount of subsidy against the related cost of purchase / production on a systematic basis in the same period in which these costs are incurred.

3.14 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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.

3.15 Research and development costs

Research and development costs are charged to income as and when incurred.

3.16 Provisions

Provisions are recognized when the Group companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of 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.

3.17 Dividend and reserve appropriation

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

3.19 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

3.20 Financial Instruments

Financial assets and financial liabilities are recognized when the Group companies become a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Group companies derecognize the financial assets and liabilities when they cease to be a party to such contractual provisions of the instruments. The Group companies recognize the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognized and carried at amortized cost less an allowance for any uncollectible amounts. 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.

c) 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 Group companies have a legally enforceable right to set-off the recognized amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

3.21 Finance income and finance costs

Finance income comprises interest income on funds invested (including available for sale financial assets), dividend income, gains 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 that the Group companies' right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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.

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CE&MD to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment results that are reported to the CE&MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are fertilizer and power project.

3.23 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2013:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Group.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following this change, unrecognized acturial gain / losses will be recorded immediately in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.

  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on annual financial statements of the Company.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31, 2012	December 31, 2011		2012 (Rupees '000)	2011 (Rupees '000)
Numbers				
256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
1,015,742,345	591,662,929	Ordinary shares of Rs 10 each issued as fully paid bonus shares	10,157,423	5,916,629
1,272,238,247	848,158,831		12,722,382	8,481,588

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2011: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2011: Rs 15,000,000 thousand).

During the year, the parent company issued 424,079,416 ordinary shares of Rs 10 each as fully paid bonus shares. Fauji Foundation held 44.35% (2011: 44.35%) ordinary shares of FFC at the year end.

		Note	2012	2011
			(Rupees '000)	
5.	CAPITAL RESERVES			
	Share premium	5.1	156,184	156,184
	Capital redemption reserve	5.2	120,000	120,000
	Statutory reserve		6,436	6,436
	Translation reserve		718,441	690,062
			1,001,061	972,682

5.1 **Share premium**

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each of FFC in 1991 and its share in share premium of FFBL received on public issue of 45,670,000 ordinary shares in 1996 at the rate of Rs 5 per share.

5.2 **Capital redemption reserve**

This represents reserve setup by FFC on redemption of preference shares of Rs 120,000 thousand in 1996.

		2012	2011
		(Rupees '000)	
6.	REVENUE RESERVES		
	Surplus on remeasurement of available for sale investments to fair value - net of tax	7,695	10,258
	General reserve	5,502,360	5,543,154
	Unappropriated profit	9,106,120	10,755,350
		14,616,175	16,308,762

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
7.	**LONG TERM BORROWINGS**			
	Long term borrowings - secured	7.1	12,411,595	6,839,888
	Long term GOP loan and			
	deferred Government assistance	7.3	1,232,320	3,241,002
			13,643,915	10,080,890
7.1	**Long term borrowings - secured**			
	Fauji Fertilizer Company Limited			
	Loans from banking companies			
	i) United Bank Limited (UBL)	7.1.1	-	228,572
	ii) Bank Al Falah Limited (BAFL)	7.1.1	-	31,250
	iii) Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	50,000	150,000
	iv) National Bank of Pakistan (NBP - 1)	7.1.1	-	100,000
	v) Silk Bank Limited (SB - 1)	7.1.1	-	30,000
	vi) Silk Bank Limited (SB - 2)	7.1.1	-	30,000
	vii) National Bank of Pakistan (NBP - 2)	7.1.1	-	333,333
	viii) Faysal Bank Limited (FBL)	7.1.1	160,000	240,000
	ix) Habib Bank Limited (HBL - 1)	7.1.1	100,000	200,000
	x) Bank Islami Limited (BIL)	7.1.1	31,250	93,750
	xi) Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	125,000	175,000
	xii) Dubai Islamic Bank (DIB)	7.1.1	150,000	210,000
	xiii) Meezan Bank Limited (MBL - 1)	7.1.1	62,500	187,500
	xiv) MCB Bank Limited (MCB)	7.1.1	-	210,000
	xv) Habib Bank Limited (HBL - 2)	7.1.1	-	100,000
	xvi) Meezan Bank Limited (MBL - 2)	7.1.1	750,000	1,000,000
	xvii) Bank of Punjab (BOP-1)	7.1.1	375,000	500,000
	xviii) Allied Bank Limited (ABL)	7.1.1	2,500,000	500,000
	xix) Bank of Punjab (BOP-2)	7.1.1	1,000,000	-
			5,303,750	4,319,405
	FFC Energy Limited	7.2		
	Loans from banking companies			
	and financial institutions			
	Long term financing - secured		9,100,000	4,400,000
	Less: Transaction cost			
	Initial transaction cost		(269,797)	(269,797)
	Amortized during the year		18,159	5,935
			8,848,362	4,136,138
			14,152,112	8,455,543
	Less: Current portion shown under current liabilities		1,740,517	1,615,655
			12,411,595	6,839,888

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

7.1.1 Terms and conditions of long term finances availed by FFC are given below:

	Lenders	Mark up rates	No of installments outstanding	Date of final repayment
i)	UBL	6 months' KIBOR+1.50	-	Paid on August 30, 2012
ii)	BAFL	6 months' KIBOR+1.50	-	Paid on March 20, 2012
iii)	SCB	6 months' KIBOR+1.30	1 half yearly	March 29, 2013
iv)	NBP-1	6 months' KIBOR+1.40	-	Pre-mature settlement on April 06, 2012
v)	SB - 1	6 months' KIBOR+1.50	-	Pre-mature settlement on April 06, 2012
vi)	SB - 2	6 months' KIBOR+1.50	-	Pre-mature settlement on April 06, 2012
vii)	NBP - 2	6 months' KIBOR+1.00	-	Pre-mature settlement on April 06, 2012
viii)	FBL	6 months' KIBOR+1.00	4 half yearly	September 26, 2014
ix)	HBL-1	6 months' KIBOR+1.00	2 half yearly	September 29, 2013
x)	BIL	6 months' KIBOR+1.00	1 half yearly	June 30, 2013
xi)	AIBL	6 months' KIBOR+1.00	5 half yearly	June 27, 2015
xii)	DIB	6 months' KIBOR+1.00	5 half yearly	June 30, 2015
xiii)	MBL -1	6 months' KIBOR+0.96	1 half yearly	March 28, 2013
xiv)	MCB	6 months' KIBOR+1.00	-	Pre-mature settlement on April 06, 2012
xv)	HBL - 2	6 months' KIBOR+0.30	-	Paid on February 28, 2012
xvi)	MBL -2	6 months' KIBOR+0.90	6 half yearly	December 31, 2015
xvii)	BOP-1	6 months' KIBOR+0.80	6 half yearly	December 31, 2015
xviii)	ABL	6 months' KIBOR+0.80	8 half yearly	December 23, 2016
xix)	BOP-2	6 months' KIBOR+0.80	8 half yearly	December 27, 2017

Finances (i) through (xix) except finance (xvi) are secured by an equitable mortgage on the parent company's assets and hypothecation of all assets including plant, machinery, tools and spares and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds (PIBs) having face value of Rs 100 million. Repayment dates of installments for this finance coincide with the maturity dates of PIBs.

Certain finances with higher interest rates were pre-maturely settled during the year without incurring any prepayment penalty.

7.2 FFC energy Limited

Long term borrowing

This represents availed portion of a long term loan facility of Rs 11.02 billion from consortium of ten financial institutions. This facility carries mark up at six months' KIBOR plus 295 basis points payable six monthly in arrears. This facility is repayable over a period of 10 years with a grace period of 2 years.

This facility is secured against
- First ranking exclusive assignment / mortgage over receivables under EPA.
- Lien over and set-off rights on project account.
- First ranking, hypothecation charge over all moveable assets of FFCEL.
- Exclusive mortgage over lease rights in immovable property on which project will be established.

The Common Term Agreement contains various covenants as to Security; Engineering, Procurement and Construction; Operations and Maintenance; Project Accounts; Insurance; Tax and Financials of the Project and Conditions Precedents (CPs) to each disbursement of loan. The major disbursement CPs includes that all representations and warranties to be true and correct; no event of default is subsisting; maintenance of debt to equity ratio etc.

		Note	2012	2011
			(Rupees '000)	
7.3	**Long term GOP loan and deferred Government assistance, unsecured**			
	Government of Pakistan (GOP) loan - FFBL		3,065,986	3,089,673
	Less: Current portion shown under current liabilities		2,008,682	648,201
			1,057,304	2,441,472
	Deferred Government assistance - FFBL		175,016	799,530
		7.3.1	1,232,320	3,241,002

7.3.1 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 period 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 recognized as Deferred Government assistance. Deferred Government assistance is being amortized to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortized and offset against financial charges during the year amounted to Rs 624,514 thousand.

Under the terms of restructuring with GOP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by FFBL with GOP through prepayment of GOP loan. In this regard FFBL 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 FFBL's financial records relating to it'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. FFBL 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 FFBL and by way of hypothecation of movable properties of FFBL. The charge ranks pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested FFBL 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, two ECAs have released the guarantee of HBL and have returned the original documents.

Since two ECAs have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of FFBL have not been vacated up to December 31, 2012. FFBL is making efforts in getting this guarantee released.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
8.	**DEFERRED LIABILITIES**			
	Deferred taxation	8.1	6,817,293	6,597,331
	Deferred liabilities - Compensated leave absences	8.2	994,666	907,070
			7,811,959	7,504,401
8.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation		6,966,482	6,759,403
	Provision for: slow moving spares, doubtful debts, other receivables and short term investments		(185,676)	(196,562)
	Share of profit of associate		34,469	33,679
	Remeasurement of investments available for sale		2,018	811
			6,817,293	6,597,331

At December 31, 2012, a deferred tax liability of Rs 427,687 thousand (2011: Rs 390,634 thousand) for temporary difference of Rs 1,221,964 thousand (Rs 1,116,097 thousand) related to investment in the joint venture was not recognized as the Group companies control the timing of reversal of temporary differences.

8.2 Actuarial valuation has not been carried out as the impact is considered to be immaterial.

		Note	2012	2011
			(Rupees '000)	
9.	**TRADE AND OTHER PAYABLES**			
	Creditors		7,703,618	7,325,419
	Accrued liabilities		4,881,006	3,662,884
	Other liabilities		642,564	921,493
	Sales tax payable - net		1,830,276	1,004,552
	Deposits		188,260	180,825
	Retention money		152,370	92,056
	Advances from customers		6,168,476	5,162,304
	Workers' Welfare Fund		1,865,220	1,711,392
	Gratuity fund	10	180,896	105,800
	Pension fund payable	10	-	133,879
	Unclaimed dividends		431,969	656,317
			24,044,655	20,956,921

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

10	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2012 Total	2011 Total
			(Rupees '000)		
a)	**Reconciliation of amounts recognized in the balance sheet is as follow:**				
	Present value of defined benefit obligation	1,839,290	2,139,010	3,978,300	3,449,192
	Fair value of plan assets	(1,347,452)	(2,088,667)	(3,436,119)	(2,547,020)
	Deficit	491,838	50,343	542,181	902,172
	Net actuarial losses not recognized	(310,942)	(267,545)	(578,487)	(662,493)
		180,896	(217,202)	(36,306)	239,679
b)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning of the year	1,610,464	1,838,728	3,449,192	2,680,092
	Current service cost	117,056	81,411	198,467	187,552
	Interest cost	199,478	241,142	440,620	449,194
	Benefits paid during the year	(185,541)	(113,033)	(298,574)	(105,991)
	Past service cost	-	-	-	50,874
	Actuarial loss	97,833	90,762	188,595	187,471
	Present value of defined benefit obligation at end of the year	1,839,290	2,139,010	3,978,300	3,449,192
c)	**The movement in fair value of plan assets is as follows:**				
	Fair value of plan assets at beginning of the year	1,169,860	1,377,160	2,547,020	2,083,312
	Expected return on plan assets	143,287	234,953	378,240	343,040
	Contributions	117,457	454,661	572,118	230,743
	Benefits paid during the year	(185,541)	(113,033)	(298,574)	(105,991)
	Actuarial gain / (loss)	102,389	134,926	237,315	(4,084)
	Fair value of plan assets at end of the year	1,347,452	2,088,667	3,436,119	2,547,020
d)	**Plan assets comprise of:**				
	Investment in equity securities	92,942	49,522	142,464	866,422
	Investment in debt securities	437,990	743,930	1,181,920	130,686
	Term deposit receipts	469,328	1,008,001	1,477,329	1,046,075
	Mutual funds	87,335	110,899	198,234	147,010
	National Investment Trust Units	69,060	120,699	189,759	148,079
	Deposits with banks	190,797	63,929	254,726	221,699
	Others	-	(8,313)	(8,313)	(12,951)
		1,347,452	2,088,667	3,436,119	2,547,020
e)	**Actual return on plan assets**	245,676	369,879	615,555	338,956
	Contributions expected to be paid to the plan during the next financial year	184,539	47,191	231,730	289,570

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

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Funded gratuity	Funded pension	2012 Total	2011 Total
			(Rupees '000)		
g)	**Movement in liability / (asset) recognized in the balance sheet:**				
	Opening liability	105,800	133,879	239,679	52,931
	Expense for the year	192,553	103,580	296,133	417,491
	Payments to the fund during the year	(117,457)	(454,661)	(572,118)	(230,743)
	Closing liability / (asset)	180,896	(217,202)	(36,306)	239,679
h)	**Amount recognized in the profit and loss account is as follows:**				
	Current service cost	117,056	81,411	198,467	186,128
	Interest cost	199,478	241,142	440,620	449,194
	Expected return on plan assets	(143,287)	(234,953)	(378,240)	(343,040)
	Vested past service cost	-	-	-	52,298
	Actuarial losses recognized	19,306	15,980	35,286	72,911
		192,553	103,580	296,133	417,491

i) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current year and previous four years is as follows:**

	2012	2011	2010	2009	2008
			(Rupees '000)		
Present value of defined benefit obligation	1,839,290	1,610,464	1,373,814	1,109,569	984,021
Fair value of plan assets	(1,347,452)	(1,169,860)	(1,000,856)	(851,007)	(678,079)
Deficit	491,838	440,604	372,958	258,562	305,942
Experience adjustments					
- on obligation	(97,833)	(14,404)	(96,346)	(8,016)	(46,783)
- on plan assets	102,389	(21,499)	2,780	43,444	(130,744)

j) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of pension fund for the current year and previous four years is as follows:**

	2012	2011	2010	2009	2008
			(Rupees '000)		
Present value of defined benefit obligation	2,139,010	1,838,728	1,306,278	1,095,051	928,899
Fair value of plan assets	(2,088,667)	(1,377,160)	(1,082,456)	(958,483)	(735,717)
Deficit	50,343	461,568	223,822	136,568	193,182
Experience adjustments					
- on obligations	(90,762)	(173,067)	(41,503)	(17,283)	(72,385)
- on plan assets	134,926	17,415	(48,457)	63,868	16,750

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		2012		2011	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
			(Percentage)		
k)	**Principal actuarial assumptions used in the actuarial valuations carried are as follows:**				
	Discount rate	11.50 - 12	12	12.50 - 13	14
	Expected rate of salary growth	11.50 - 12	12	12 - 13	14
	Expected rate of return on plan assets	11.50 - 12	12	12.50 - 13	14

l) "Salaries, wages and benefits" expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 192,553 thousand, Rs 137,855 thousand, Rs 103,580 thousand and Rs 182,822 thousand respectively (2011: Rs 174,392 thousand, Rs 159,396 thousand, Rs 243,099 thousand and Rs 250,918 thousand respectively).

		Note	2012	2011
			(Rupees '000)	
11.	INTEREST AND MARK-UP ACCRUED			
	On long term financing			
	- from banking companies and financial institutions		21,114	276,378
	On short term borrowings		287,497	219,781
			308,611	496,159
12.	SHORT TERM BORROWINGS - SECURED			
	From banking companies			
	Short term borrowings	12.1	14,206,660	16,211,794
			14,206,660	16,211,794

12.1 Short term borrowings

Short term running finance and istisna facilities are available to FFC from various banking companies under mark-up / profit arrangements amounting to Rs 11.54 billion (2011: Rs.11.54 billion) which represent aggregate of sale prices of all mark-up / profit agreements between FFC and respective banks. The facilities have various maturity dates upto August 10, 2013.

These facilities are secured by first pari passu and ranking hypothecation charges on assets of FFC. Istisna facility of Rs 1.3 billion from an Islamic Financial Institution is secured against lien over Term Deposits. Mark-up rates range between one month KIBOR + 0.1% to one month KIBOR + 1% and three months' KIBOR + 0.3% per annum (2011: one month KIBOR + 0.1% to one month KIBOR + 1% and three months' KIBOR + 0.3% per annum).

FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs 23,205 million (2011: Rs 19,735 million). These facilities carry mark-up ranging from 9.43% to 10.4% per annum (2011: 12.04% to 14.23% per annum) and are secured by hypothecation charge over stocks and current assets of FFBL and lien on bank deposits. The purchase prices are repayable on various dates by FFBL.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

			2012	2011
			(Rupees '000)	
13.	**CONTINGENCIES AND COMMITMENTS**			
	a)	**Contingencies**		
	i)	Guarantees issued by banks on behalf of the Group companies.	151,892	158,681
	ii)	Claims against FFC and / or potential exposure not acknowledged as debt.	50,696	50,696
	iii)	Indemnity bonds and undertakings given to the customs authorities for the machinery imported by FFBL for installation at plant site.	119,650	119,650
	iv)	Group's share of contingencies in Fauji Cement Company Limited as at September 30.	122,388	121,496
	v)	FFBL's share of contingent liabilities of Foundation Wind Energy - I Limited as at September 30.	4,375	7,595
	vi)	FFBL's share of contingent liabilities of Foundation Wind Energy - II (Private) Limited as at September 30.	4,130	7,595
	b)	**Commitments**		
	i)	Capital expenditure (including commitments relating to FFCEL)	2,816,921	17,468,405
	ii)	Purchase of raw material, fertilizer, stores, spares and other operational items.	2,243,495	4,226,170
	iii)	Investment in FFCEL. FFC's commitment to the bank is secured against all present and future, movable and fixed assets excluding immovable properties, land and buildings of FFC.	386,000	1,236,000
	iv)	FFBL's share of commitments of investment in wind projects.	3,983,365	4,764,715
	v)	Group's share of commitments of PMP as at September 30.	20,196	13,176
	vi)	Rentals under lease agreements:		
		Premises - not later than one year	53,108	80,499
		- later than one year and not later than:		
		two years	30,096	48,841
		three years	24,806	23,894
		four years	23,740	23,733
		five years	26,395	23,740
		Vehicles - not later than one year	29,121	31,831
		- later than one year and not later than:		
		two years	28,855	66,940
		three years	21,057	26,644
		four years	15,660	17,892
		five years	8,820	9,856
		Land - later than five years	44,905	44,905

vii) Principal project agreement executed by FFCEL include Implementation Agreement with the Government of Pakistan, sub-lease agreement with Alternative Energy Development Board and Energy Purchase Agreement with National Transmission and Dispatch Company. FFCEL has issued standby letter of credit in favor of National Transmission and Dispatch Company amounting to USD 1,732,500 pursuant to the terms and conditions of Energy Purchase Agreement. Standby letter of credit is valid up to Feburary 12, 2013. Standby letter of credit is secured against all present, future, movable and fixed assets excluding immovable properties, land and buildings of FFC. Further the principal agreements also prescribe levy of liquidated damages in case the project's commercial operations are not achieved until January 28, 2013.

c) FFC along with its associated concerns is negotiating a Share Purchse Agreement with Army Welfare Trust for acquisition of their entire shareholding in Askari Bank Limited, subject to all regulatory approvals.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 14.3)	Total
								(Rupees '000)						
COST														
Balance as at Jan 01, 2011	653,231	392,100	2,889,557	1,612,606	26,517	46,522,120	1,042,675	440,448	187,833	555,273	1,457,557	19,835	3,717,118	59,516,870
Additions during the year	1,580	-	185,190	84,464	-	1,699,296	62,310	58,276	13,696	88,825	110,384	485	9,146,754	11,451,260
Disposals	-	-	(418)	(90)	-	(3,502)	(144,652)	(9,870)	(2,246)	(43,528)	(14,465)	(10)	-	(218,781)
Transfers/adjustments	-	-	-	-	-	120,885	-	-	-	-	-	-	(2,880,926)	(2,760,041)
Balance as at Dec 31, 2011	654,811	392,100	3,074,329	1,696,980	26,517	48,338,799	960,333	488,854	199,283	600,570	1,553,476	20,310	9,982,946	67,989,308
Balance as at Jan 01, 2012	654,811	392,100	3,074,329	1,696,980	26,517	48,338,799	960,333	488,854	199,283	600,570	1,553,476	20,310	9,982,946	67,989,308
Additions during the year	-	-	1,815,124	-	-	1,786,205	515,508	68,121	18,651	169,025	150,840	1,970	7,701,512	12,226,956
Disposals	-	-	(991)	-	-	(907)	-	(25,129)	(11,575)	(62,301)	(28,563)	-	-	(129,466)
Transfers/adjustments	-	-	-	440,560	-	(269,872)	-	341	-	33	155	-	(4,328,861)	(4,157,644)
Balance as at Dec 31, 2012	654,811	392,100	4,888,462	2,137,540	26,517	49,854,225	1,475,841	532,187	206,359	707,327	1,675,908	22,280	13,355,597	75,929,154
DEPRECIATION														
Balance as at Jan 01, 2011	-	152,290	1,540,759	524,446	26,517	24,157,749	475,586	262,555	83,953	340,038	965,991	15,957	-	28,545,841
Charge for the year	-	18,711	125,064	47,820	-	1,817,802	171,255	44,941	15,984	83,019	166,002	2,079	-	2,492,677
Depreciation on disposals	-	-	(221)	(12)	-	(2,633)	(144,652)	(9,523)	(2,223)	(37,686)	(14,132)	(10)	-	(211,092)
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at Dec 31, 2011	-	171,001	1,665,602	572,254	26,517	25,972,918	502,189	297,973	97,714	385,371	1,117,861	18,026	-	30,827,426
Balance as at Jan 01, 2012	-	171,001	1,665,602	572,254	26,517	25,972,918	502,189	297,973	97,714	385,371	1,117,861	18,026	-	30,827,426
Charge for the year	-	18,711	143,499	52,004	-	1,951,392	219,607	48,204	17,556	96,578	161,968	1,753	-	2,711,272
Depreciation on disposals	-	-	(921)	-	-	(907)	-	(22,916)	(7,122)	(55,294)	(28,285)	-	-	(115,445)
Transfers/adjustments	-	-	-	-	-	(173,168)	-	-	-	-	22	-	-	(173,146)
Balance as at Dec 31, 2012	-	189,712	1,808,180	624,258	26,517	27,750,235	721,796	323,261	108,148	426,655	1,251,566	19,779	-	33,250,107
Written down value as at Dec 31, 2011	654,811	221,099	1,408,727	1,124,726	-	22,365,881	458,144	190,881	101,569	215,199	435,615	2,284	9,982,946	37,161,882
Written down value as at Dec 31, 2012	654,811	202,388	3,080,282	1,513,282	-	22,103,990	754,045	208,926	98,211	280,672	424,342	2,501	13,355,597	42,679,047
Rate of depreciation in %	-	6 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	-	-

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
14.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	28	2,689,168	2,484,751
	Administrative expenses and distribution cost	29	22,104	7,926
			2,711,272	2,492,677

14.2 Detail of property, plant and equipment disposed off:

Description	Cost	Written down value	Sale proceeds
	(Rupees '000)		
Vehicles			
As per Group companies' policy to employees			
Brig Inam Karim (Retd)	1,810	402	1,043
Col Zafar Sultan (Retd)	1,354	113	135
Lt Col Muhammad Khalid Beg (Retd)	1,443	361	141
Lt Col Muhammad Asif (Retd)	1,403	117	138
Mr. Muhammad Azmat	1,427	247	247
Mr. Iftikhar Ahmed	1,404	63	211
Mr. Jaffar Abbas Abidi	1,087	98	159
Mr. Qasim Afzal	1,407	488	310
Mr. Hassan Mumtaz Sheikh	1,426	438	310
Mr. Mahboob Ahmed	1,015	138	230
Mr. Irfan Ahmed	1,407	339	310
Mr. Atif Zia	1,407	424	310
Mr. Muhammad Yasin	1,407	278	310
Mr. Muhammad Khalid Jalil	1,407	488	310
Mr. Nadeem Ahmed Siddiqui	1,286	227	190
Mr. Abdullah Khan	1,407	446	310
Mr. Ghulam Qadir Zafar	1,407	185	310
Mr. Saqib Feroz	1,407	185	310
Mr. Usman Ahmed	1,416	561	751
Insurance claim	2,197	1,455	1,809
Furniture & fixture and office & electrical equipment			
Malik Kamran (Tenders)	457	300	18
Aggregate of items of property, plant and equipment with individual book value below Rs 50,000	100,485	6,668	31,384
2012	129,466	14,021	39,246
2011	218,781	7,689	20,169

		2012	2011
		(Rupees '000)	
14.3	**CAPITAL WORK IN PROGRESS**		
	Civil works including mobilization advance	758,480	1,520,262
	Plant and machinery including advances to suppliers	12,594,076	8,339,770
	Intangible assets under development	3,040	122,914
		13,355,596	9,982,946

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
15.	**INTANGIBLES**			
	- Computer software	15.1	118,685	46,399
	- Goodwill	15.2	1,569,234	1,569,234
			1,687,919	1,615,633
15.1	**Cost**			
	As at January 01		108,205	98,747
	Additions		119,874	9,458
	As at December 31		228,079	108,205
	Amortization			
	As at January 01		61,806	24,687
	Amortization during the year		47,588	37,119
	As at December 31		109,394	61,806
	Carrying value		118,685	46,399
	Amortization rate		3 years	3 years
	Amortization charge has been allocated as follows:			
	Cost of sales	28	6,980	-
	Administrative expenses and distribution cost	29	40,608	37,119
			47,588	37,119

15.2 This represents excess of the amount paid by FFC over fair value of net assets of PSFL on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with 'IAS-36 Impairment of Assets'. The value in use calculations are based on cashflow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
16.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	16.1	6,398,247	5,503,123
	Other long term investments	16.2	253,610	250,818
			6,651,857	5,753,941
16.1	**Equity accounted investments**			
	Investment in associated company - under equity method			
	Fauji Cement Company Limited (FCCL)	16.1.1		
	Cost of investment		1,800,000	1,800,000
	Post acquisition profits brought forward		257,196	208,170
	Share of profit for the year		52,332	49,026
	Balance as at December 31, 2012		2,109,528	2,057,196
	Foundation Wind Energy-I Limited	16.1.4		
	Advance for issue of shares		119,409	-
	Advance paid during the year against issue of shares		233,664	131,160
	Share of loss		(23,683)	(11,751)
			329,390	119,409
	Foundation Wind Energy-II (Private) Limited	16.1.4		
	Opening Balance		93,346	-
	Advance for issue of shares		547,686	104,125
	Share of loss		(20,742)	(10,779)
			620,290	93,346
	Investment in joint venture - under equity method			
	Pakistan Maroc Phosphore S.A. Morocco (PMP)	16.1.2		
	Cost of investment		2,117,075	2,117,075
	Post acquisition profit / (loss) brought forward		89,987	(292,594)
	Share of profit for the year		63,669	382,581
	Gain on translation of net assets		1,068,308	1,026,110
	Balance as at December 31.		3,339,039	3,233,172
			6,398,247	5,503,123

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
16.2	**Other long term investments**			
	Investments available for sale	16.2.1		
	Certificates of Investment		111,528	108,961
	Pakistan Investment Bonds		60,491	162,043
	Term Finance Certificates		102,341	123,712
	Arabian Sea Country Club Limited (ASCCL)			
	(300,000 shares of Rs 10 each)		3,000	3,000
	Less: Impairment in value of investment		(3,000)	(3,000)
			-	-
			274,360	394,716
	Less: Current portion shown under short term investments			
	Investments available for sale			
	Certificates of Investment		12,395	22,507
	Pakistan Investment Bonds		-	104,706
	Term Finance Certificates		8,355	16,685
			20,750	143,898
			253,610	250,818

16.1.1 Investment in associated company - under equity method

FFC and FFBL have investment in FCCL. Fair value of investment in FCCL as at December 31, 2012 was Rs 216,375 thousand (2011: Rs 371,250 thousand). FFC and FFBL collectively hold 8.15% interest in FCCL which is less than 20%, however it is concluded that the Group companies have significant influence due to their representation on the Board of Directors of FCCL.

The recoverable amount of the investment in Fauji Cement Company Limited was tested for impairment based on value in use, in accordance with IAS - 36 "Impairment of Assets". The value in use calculations are based on cash flow projections based on the budget approved by management for 2012. These are then extrapolated for a period of 5 years using a steady long term expected growth of 3% p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using a post-tax discount rate of 13.07% p.a. Based on this calculation, no impairment has been accounted for.

FFC and FFBL are committed not to dispose off their investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited (formally The Royal Bank of Scotland Limited) remains outstanding or without prior consent of FCCL.

16.1.2 Investment in joint venture - under equity method

Cost of investment represents equivalent to Moroccan Dirhams 300,000 thousand representing 37.50% interest in PMP, a joint venture between FFC, FFBL, Fauji Foundation and Officie 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 restrictions are laid on dividends by Pakistan Maroc Phosphor S.A., the investment will be converted to interest bearing loan. The Group has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

16.1.3 Summary financial information for equity accounted investees as per their financial statements, not adjusted for the percentage ownership of the Group companies:

	September 2012	September 2011	September 2012	September 2011	September 2012	September 2011	September 2012	September 2011
	PMP (Joint venture)		FCCL (Associate)		Foundation Wind Energy - I (Associate)		Foundation Wind Energy - II (Associate)	
Non - current assets	12,646,128	13,819,766	26,223,163	27,808,729	392,051	14,406	407,093	31,946
Non - current liabilities	(5,293,068)	(7,335,342)	(11,007,862)	(12,246,697)	-	-	-	(100,090)
Current assets	13,813,705	14,646,899	4,525,607	4,575,385	159,556	131,837	482,671	136,844
Current liabilities	(12,263,599)	(12,510,466)	(5,435,643)	(6,648,437)	(8,771)	(6,184)	(11,234)	(7,345)
Revenue for the period	20,881,282	24,215,172	10,757,610	4,119,151	11,390	1,040	20,804	1,579
Expenses for the period	(21,555,366)	(23,949,274)	(9,741,587)	(3,840,804)	(57,490)	(34,617)	(56,532)	(32,376)
Profit / (loss) for the period	(674,084)	265,898	1,016,023	278,347	(46,100)	(33,577)	(35,728)	(30,797)

Financial statements for the period ended September 30, 2012 have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2011 have also been considered for equity accounting.

16.1.4 Foundation Wind Energy-I Limited (formerly Beacon Energy Limited) and Foundation Wind Energy-II (Private) Limited (formerly Green Power (Private) Limited) are in a process of setting up 49.5 MW wind power plant each. Total estimated cost for each plant is US$ 130 million. Pursuant to Share Holders Agreement dated 08 March 2011, FFBL will eventually hold 35% shareholding in Foundation Wind Energy-I and Foundation Wind Energy-II. The projects are expected to commence commercial production in 2013.

16.2.1 Investments available for sale

Certificates of Investment (COI)

These represent placements in certificates of investment of a financial institution for periods ranging from one to five years at profit rates ranging from 8.1% to 14.18% per annum (2011: 8.1% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 7 and 10 years tenure were purchased and are due to mature within a period of 3 years. Profit is receivable on half yearly basis with coupon rates ranging from 8% to 11.75% per annum (2011: 8% to 11.75% per annum). These PIBs have face value of Rs 59 million.

Term Finance Certificates (TFCs)

These include 1,664 & 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Fertilizer Limited respectively. Profit is receivable on half yearly basis at the rate of six months' KIBOR + 2.85% and six months' KIBOR + 1.55% per annum respectively.

Arabian Sea Country Club Limited (ASCCL)

As per audited accounts of ASCCL for the year ended June 30, 2012, the break-up value of an ordinary share was Rs 8.72 (June 30, 2011: Rs 7.90).

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees '000)	
17. LONG TERM LOANS AND ADVANCES			
Loans and advances - considered good, to:			
Executives		700,878	625,590
Other employees		238,820	199,709
	17.1	939,698	825,299
Less: Amount due within twelve months, shown under current loans and advances	22	238,912	219,416
		700,786	605,883

17.1 Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening balance as at January 01, 2012	Disbursements	Repayments	Closing balance as at December 31,2012
		(Rupees '000)		
Executives	625,590	336,094	260,806	700,878
Other employees	199,709	112,082	72,971	238,820
2012	825,299	448,176	333,777	939,698
2011	682,736	365,751	223,188	825,299

These represent secured house building loans, house rent advances and advances pursuant to agreement with employees which are repayable within one to ten years. House building loans carry mark-up at 7% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 700,878 thousand (2011: Rs 625,590 thousand).

	Note	2012	2011
		(Rupees '000)	
18. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits		81,423	84,461
Prepayments	18.1	219,441	6,026
		300,864	90,487

18.1 This includes prepayment of Rs 217,202 thousand (2011: Rs Nil) to pension fund. Also refer note 10.

	2012	2011
	(Rupees '000)	
19. STORES, SPARES AND LOOSE TOOLS		
Stores	570,987	478,192
Spares	4,554,897	4,223,277
Provision for slow moving items	(467,714)	(462,050)
	4,087,183	3,761,227
Loose tools	43	279
Items in transit	452,207	113,492
	5,110,420	4,353,190

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
20.	**STOCK IN TRADE**			
	Raw and packing materials		1,993,458	514,553
	Work in process		58,831	58,478
	Finished goods			
	- manufactured fertilizers		2,074,053	344,756
	- purchased fertilizers		274,029	144,090
	Stocks in transit		918,073	2,982,039
			5,318,444	4,043,916
21.	**TRADE DEBTS**			
	Considered good			
	Secured		6,011,332	733,156
	Unsecured		69,219	-
			6,080,551	733,156
	Due from Fauji Foundation, an associated undertaking - unsecured, considered good		-	29
	Considered doubtful		1,758	1,758
			6,082,309	734,943
	Provision for doubtful debts		(1,758)	(1,758)
			6,080,551	733,185
22.	**LOANS AND ADVANCES**			
	Loans & advances - unsecured, considered good to:			
	Executives		263,138	119,518
	Other employees		114,608	38,694
			377,746	158,212
	Advances to suppliers and contractors			
	Considered good		509,382	494,692
	Considered doubtful		45	45
			509,427	494,737
	Provision for doubtful advances		(45)	(45)
			509,382	494,692
	Current portion of long term loans and advances	17	238,912	219,416
			1,126,040	872,320
23.	**DEPOSITS AND PREPAYMENTS**			
	Deposits		3,175	5,678
	Prepayments		56,389	61,331
			59,564	67,009

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		Note	2012	2011
			(Rupees '000)	
24.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		137,469	328,728
	Advance tax	24.1	322,368	322,368
	Sale tax refundable - net		111,275	108,958
	Workers' Profit Participation Fund	24.2	53,095	22,063
	Other receivables - considered good		86,404	273,865
	- considered doubtful		55,714	55,714
			142,118	329,579
	Provision for doubtful receivables		(55,714)	(55,714)
			86,404	273,865
			710,611	1,055,982

24.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. FFC intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

		Note	2012	2011
			(Rupees '000)	
24.2	**Workers' Profit Participation Fund**			
	Balance at beginning of the year		22,063	(58,845)
	Interest on funds utilized in Group companies' business		(921)	(1,139)
	Allocation for the year		(2,012,273)	(2,647,734)
	Adjustment for prior years		5,571	-
	Receipt from fund during the year		(44,507)	(16,224)
	Payment to fund during the year		2,083,162	2,746,005
			53,095	22,063
25.	**SHORT TERM INVESTMENTS**			
	Term deposits with banks and financial institutions			
	Loans and receivables	25.1		
	Local currency (net of provision for doubtful recovery Rs 5,850 thousand) (2011: Rs 7,800 thousand)		18,350,000	19,925,000
	Foreign currency		1,208,683	1,028,608
			19,558,683	20,953,608
	Investments at fair value through profit or loss - Held for trading			
	Fixed income / money market funds (net of provision for doubtful recovery Rs Nil) (2011: Rs 25,453 thousand)	25.2	721,563	9,535,211
	Current maturity of long term investments			
	Available for sale		20,750	143,898
			20,300,996	30,632,717

25.1 These represent investments having maturities ranging between 1 to 12 months. Term deposits amounting to Rs 2,650,000 thousand (2011: Rs 1,450,000 thousand) are under lien of an islamic financial institution in respect of istisna facility availed.

25.2 Fair values of these investments are determined using quoted market price and redemption / repurchase price, whichever is applicable.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
26.	CASH AND BANK BALANCES		
	At banks:		
	Deposit accounts		
	Local currency	12,416,948	6,911,357
	Foreign currency	18,055	86,839
	Current accounts		
	Local currency	134,278	403,406
		12,569,281	7,401,602
	Cash in hand	3,985	2,924
		12,573,266	7,404,526

Balances with banks include Rs 188,261 thousand (2011: Rs 180,825 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 93,600 thousand (2011: Rs 17,192 thousand) under lien of a bank, against a guarantee issued on behalf of FFC. In addition Rs 210,560 thousand (2011: Rs 126,541 thousand) are held under lien by the commercial banks against credit facilities of FFBL.

27. SALES

Sales include Rs 4,951,027 thousand (2011: Rs 668,787 thousand) in respect of sale of purchased fertilizer and are exclusive of trade allowances and sales tax of Rs 205,000 thousand and Rs 11,891,582 thousand respectively (2011: Rs 11,347 thousand and Rs 15,325,673 thousand respectively).

		Note	2012	2011
			(Rupees '000)	
28.	COST OF SALES			
	Raw materials consumed		49,942,521	36,478,419
	Fuel and power		8,731,965	7,257,452
	Chemicals and supplies		413,278	469,182
	Salaries, wages and benefits		5,470,921	5,228,185
	Training and employees welfare		611,338	505,877
	Rent, rates and taxes	28.1	44,790	57,132
	Insurance		251,599	274,844
	Travel and conveyance	28.1	506,732	538,164
	Repairs and maintenance	28.2	2,134,250	1,854,994
	Depreciation	14.1	2,689,168	2,484,751
	Amortization	15.1	6,980	-
	Communication and other expenses		1,355,637	1,008,423
	Opening stock - work in process		58,478	57,568
	Closing stock - work in process		(58,831)	(58,478)
	Cost of goods manufactured		72,158,826	56,156,513
	Add : Opening stock of manufactured fertilizers		344,756	354,205
	Less : Closing stock of manufactured fertilizers		(2,074,053)	(344,756)
			(1,729,297)	9,449
	Cost of sales of own manufactured fertilizers		70,429,529	56,165,962
	Opening stock of purchased fertilizers		144,090	-
	Purchase of fertilizers for resale		4,474,813	603,151
			4,618,903	603,151
	Closing stock of purchased fertilizers		(274,029)	(144,090)
	Cost of sale - purchased fertilizers		4,344,874	459,061
			74,774,403	56,625,023

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

28.1 These include operating lease rentals amounting to Rs 42,498 thousand (2011: Rs 48,967 thousand).

28.2 This includes provision for slow moving spares amounting to Rs 28,194 thousand (2011: Rs 36,772 thousand).

		Note	2012 (Rupees '000)	2011 (Rupees '000)
29.	**ADMINISTRATIVE EXPENSES AND DISTRIBUTION COST**			
	Product transportation		5,650,162	4,746,907
	Salaries, wages and benefits		1,580,381	1,490,699
	Rent, rates and taxes	29.1	144,156	110,291
	Technical services		13,481	12,483
	Travel and conveyance	29.1	212,114	190,256
	Sale promotion and advertising		100,456	71,824
	Communication and other expenses		367,037	215,636
	Warehousing expenses		119,480	64,633
	Depreciation	14.1	22,104	7,926
	Amortization	15.1	40,608	37,119
	Administrative expenses	29.2	974,568	783,742
			9,224,547	7,731,516

29.1 These include operating lease rentals amounting to Rs 106,646 thousand (2011: Rs 82,698 thousand).

29.2 **Administrative expenses**

This represents administrative and general expenses of FFBL and FFCEL, breakup of which is as follows:

		2012 (Rupees '000)	2011 (Rupees '000)
	Salaries, wages and benefits	502,456	503,278
	Travel and conveyance	166,744	131,645
	Utilities	6,271	5,061
	Printing and stationery	7,926	8,976
	Repairs and maintenance	14,175	13,595
	Communication, advertisement and other expenses	31,762	54,418
	Rent, rates and taxes	10,419	9,984
	Listing fee	1,612	738
	Donations	95,213	6,499
	Legal and professional	91,721	18,458
	Miscellaneous	46,269	31,090
		974,568	783,742
30.	**FINANCE COST**		
	Mark-up on long term financing and murabaha	506,766	708,521
	Mark-up on short term borrowings	1,797,114	872,440
	Exchange loss-net	305,841	208,894
	Interest on Workers' Profit Participation Fund	921	1,139
	Bank charges	81,018	33,477
		2,691,660	1,824,471

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
31.	**OTHER EXPENSES**		
	Research and development	394,876	208,692
	Workers' Profit Participation Fund	2,012,273	2,647,734
	Adjustment in WPPF relating to prior year charge	(5,571)	-
	Workers' Welfare Fund	748,612	970,951
	Property, plant and equipment written off	96,704	-
	Auditors' remuneration		
	Audit fee	3,394	2,788
	Fee for half yearly review, audit of consolidated accounts, certifications and other services	796	1,132
	Out of pocket expenses	285	150
		3,251,369	3,831,447
32.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments	1,452,485	2,152,943
	Gain / (loss) on remeasurement of investments at fair value through profit or loss - Held for trading	151,194	(26,358)
	Dividend income	577,457	1,003,657
	(Loss) / gain on sale of investments	(4,997)	33,049
	Reversal of provision for impairment	33,253	-
		2,209,392	3,163,291
	Income from non-financial assets		
	Gain on sale of property, plant and equipment	25,225	12,480
	Other income		
	Scrap sales	191,131	48,328
	Others	3,980	4,776
		195,111	53,104
		2,429,728	3,228,875
33.	**PROVISION FOR TAXATION**		
	Provision for taxation - Current	12,098,952	16,407,348
	- Deferred	218,755	(311,115)
		12,317,707	16,096,233
33.1	**Reconciliation of tax charge for the year**		
	Profit before taxation	34,810,906	44,737,408
		2012	**2011**
		%	%
	Applicable tax rate	35.00	35.00
	Add: Tax effect of additional surcharge	-	1.01
	Less: Tax effect of permanent differences	0.38	(0.03)
	Average effective tax rate charged on income	35.38	35.98

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
34.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	34,810,906	44,737,408
	Adjustments for:		
	Depreciation	2,758,860	2,529,796
	Provision for slow moving spares	5,664	33,938
	Gain on disposal of property, plant and equipment	(25,225)	(12,480)
	Finance cost	2,385,819	1,615,577
	Provision for Workers' Profit Participation Fund	2,012,273	2,647,734
	Provision for Workers' Welfare Fund	748,612	970,951
	Adjustment in WPPF relating to prior year charge	(5,571)	-
	Income on loans, deposits and investments	(1,452,485)	(2,152,943)
	Provision for gratuity	192,553	174,392
	Provision for compensated absences	182,822	250,918
	Provision for pension	103,580	243,099
	Exchange loss-net	305,841	208,894
	Dividend income	(577,457)	(1,003,657)
	(Gain) / loss on remeasurement of investments - held for trading	(151,194)	26,358
	Loss / (gain) on sale of investments	4,997	(33,049)
	Share of profit of associate and joint venture	(71,576)	(409,077)
		6,417,513	5,090,451
		41,228,419	49,827,859
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(762,894)	(83,757)
	Stock in trade	(1,274,528)	(2,561,529)
	Trade debts	(5,347,366)	454,756
	Loans and advances	(253,720)	(314,745)
	Deposits and prepayments	7,445	(4,450)
	Other receivables	185,144	44,098
	Increase in current liabilities:		
	Trade and other payables	3,217,037	2,149,295
		(4,228,882)	(316,332)
	Changes in long term loans and advances	(94,903)	(150,555)
	Changes in long term deposits and prepayments	6,825	6,864
		36,911,459	49,367,836
35.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	12,573,266	7,404,526
	Short term borrowings	(10,611,660)	(9,816,794)
	Short term highly liquid investments	19,362,437	18,655,123
		21,324,043	16,242,855

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

36. FINANCIAL INSTRUMENTS

The Group companies have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Group companies risk management policies are established to identify and analyse the risks faced by the companies, 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 Group companies activities. The Group companies, through their training and management standards and procedures, aim 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 Group companies' risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group companies. 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.

36.1 Credit risk

Credit risk is the risk of financial loss to the Group companies if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments 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:

	2012	2011
	(Rupees '000)	
Long term investments	232,860	250,818
Loans and advances	1,317,444	983,511
Deposits	84,598	90,139
Trade debts - net of provision	6,080,551	733,185
Other receivables - net of provision	276,968	705,564
Short term investments	20,300,996	30,632,717
Bank balances	12,569,281	7,401,602
	40,862,698	40,797,536

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 most significant amount receivable is from a bank which amounts to Rs 7,032 million (2011: Rs 6,000 million). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Group companies have placed funds in financial institutions with high credit ratings. The Group companies assess the credit quality of the counter parties as satisfactory. The Group companies does not hold any collateral as security against any of their financial assets other than trade debts.

The Group companies limit their exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit rating. Management actively monitors credit ratings and given that the Group companies only have invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

The aging of trade debts at the reporting date was:

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
		Rupees '000		
Not yet due	5,757,164	-	723,872	-
Past due 1-30 days	301,338	-	8,558	-
Past due 31-60 days	18,311	-	755	-
Past due 61-90 days	3,738	-	-	-
Over 90 days	1,758	1,758	1,758	1,758
	6,082,309	1,758	734,943	1,758

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Group companies have recorded impairment loss of Rs 5,850 thousand and Rs Nil thousand (2011: Rs 7,800 thousand and Rs 33,253 thousand) in respect of its investment in available-for-sale investments and held for trading investments.

36.2 Liquidity risk

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. The Group companies' approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group companies' reputation. The Group companies use different methods which assists them in monitoring cash flow requirements and optimising their cash return on investments. Typically the Group companies ensure that they have 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 Group companies' maintain lines of credit as mentioned in note 12 to the financial statements.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

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

2012	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months (Rupees '000)	One to two year	Two to five year	Five year onwards
Long term borrowings	17,414,228	20,165,885	3,690,976	1,062,004	2,857,543	5,079,560	7,475,782
Trade and other payables	14,180,683	14,180,683	14,180,683	-	-	-	-
Short term borrowings including mark-up	14,494,157	14,494,157	14,494,157	-	-	-	-
	46,089,068	48,840,725	32,365,816	1,062,004	2,857,543	5,079,560	7,475,782

2011	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months (Rupees '000)	One to two year	Two to five year	Five year onwards
Long term borrowings	12,556,690	19,286,520	2,352,735	1,315,505	2,837,004	6,291,304	6,489,972
Trade and other payables	13,078,673	13,078,673	13,078,673	-	-	-	-
Short term borrowings including mark-up	16,416,183	16,431,575	16,431,575	-	-	-	-
	42,051,546	48,796,768	31,862,983	1,315,505	2,837,004	6,291,304	6,489,972

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

36.2.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in notes 7 and 12 to these financial statements.

36.3 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 Group companies incur financial liabilities to manage their market risk. All such activities are carried out with the approval of the Board. The Group companies are exposed to interest rate risk and currency risk.

36.3.1 Currency risk

Exposure to Currency Risk

The Group companies are exposed to currency risk on creditors, bank balance and investment in term deposit receipts which are denominated in currency other than the functional currency of the Group companies. The Group companies exposure to foreign currency risk is as follows:

	2012		2011		2011	
	Rupees '000	US Dollar '000	Rupees '000	Euros '000	Rupees '000	US Dollar '000
Bank balance	18,055	186	76,750	662	10,089	113
Investments (term deposit receipts)	1,208,683	12,435	-	-	1,028,608	12,538
Creditors	(5,501,963)	(56,605)	-	-	(6,053,541)	(39,853)
	(4,275,225)	(43,984)	76,750	662	(5,014,844)	(27,202)

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2012	2011	2012	2011
US Dollars	92.60	85.92	97.20	89.60

Sensitivity analysis

US Dollars

A 10% strengthening of the functional currency against USD at December 31, would have decreased profit and loss by Rs 427,505 thousand (2011: Rs 501,461 thousand). A 10% weakening of the functional currency against USD at December 31, would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

Euros

A 10% strengthening of the functional currency against Euros at December 31, would have increased profit and loss by Rs Nil (2011: Rs 7,695 thousand). A 10% weakening of the functional currency against USD at December 31, would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

36.3.2 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 and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Group companies interest bearing financial instruments is:

	Carrying Amount	
	2012	2011
	Rupees '000	
Fixed rate instruments		
Financial assets	23,511,596	24,503,863
Financial liabilities	(3,595,000)	(6,395,000)
	19,916,596	18,108,863
Variable rate instruments		
Financial assets	8,756,500	5,104,194
Financial liabilities	(13,527,214)	(14,136,199)
	(4,770,714)	(9,032,005)

Fair value sensitivity analysis for fixed rate instruments

The Group companies do not hold any fixed rate financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date 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 2011.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

	Profit or loss	
	100 basis points increase	100 basis points decrease
	Rupees '000	
December 31, 2012		
Cash flow sensitivity - Variable rate instruments	(92,671)	92,671
	(92,671)	92,671
December 31, 2011		
Cash flow sensitivity - Variable rate instruments	(53,205)	53,205
	(53,205)	53,205

Sensitivity analysis - price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 1,059 thousand after tax (2011: an increase of Rs 2,290 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For such investments classified as held for trading, the impact on profit or loss would have been an increase or decrease by Rs 7,232 thousand after tax (2011: Rs 82,404 thousand). The analysis is performed on the same basis for 2011 and assumes that all other variables remain the same.

36.4 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, 2012		December 31, 2011	
		Carrying amount	Fair value	Carrying amount	Fair value
		Rupees '000			
Assets carried at amortized cost					
Loans and advances	17 & 22	1,317,444	1,317,444	983,511	983,511
Deposits	18 & 23	84,598	84,598	90,139	90,139
Trade debts - net of provision	21	6,080,551	6,080,551	733,185	733,185
Other receivables	24	276,968	276,968	705,564	705,564
Investments carried at amortized cost	25	19,558,683	19,558,683	20,953,608	20,953,608
Cash and bank balances	26	12,573,266	12,573,266	7,404,526	7,404,526
		39,891,510	39,891,510	30,870,533	30,870,533
Assets carried at fair value					
Long term investments	16	232,860	232,860	250,818	250,818
Short term investments	25	742,313	742,313	9,679,109	9,679,109
		975,173	975,173	9,929,927	9,929,927
Liabilities carried at amortized cost					
Long term borrowings	7	17,414,228	17,414,228	12,556,690	12,556,690
Trade and other payables	9	14,180,683	14,180,683	13,078,673	13,078,673
Short term borrowings	12	14,494,157	14,494,157	16,416,183	16,416,183
		46,089,068	46,089,068	42,051,546	42,051,546

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

The basis for determining fair values is as follows:

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. For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no change in carrying amount and the fair value. Further for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value. The interest rates used to determine fair value of GOP loan is 15% (2011: 15%). Since the loan is zero interest based, there is no difference in the carrying amount of the loan and 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, 2012			
Assets carried at fair value			
Investments at fair value through			
profit and loss account - held for trading	721,563	-	-
Available for sale investments	102,341	172,019	-
	823,904	172,019	-
December 31, 2011			
Assets carried at fair value			
Investments at fair value through profit and loss account	8,173,272	1,331,939	-
Available for sale investments	123,712	271,004	
	8,296,984	1,602,943	-

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

36.5 Determination of fair values

A number of Group companies' 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.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

Investment in associate

The fair value of investment in associate is determined by reference to its 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 as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This 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.

36.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which Group companies define 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 Group companies' approach to capital management during the year and the Group companies are not subject to externally imposed capital requirements.

37. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements for the year in respect of remuneration including benefits applicable to the chief executives, directors and executives of the Group companies are given below:

	2012		2011	
	Chief Executives	Executives	Chief Executives	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	17,647	1,783,398	12,692	1,461,415
Contribution to provident fund	2,764	507,025	688	84,921
Bonus and other awards	4,650	1,230,047	10,164	1,478,709
Others including gratuity	13,023	959,553	7,933	840,717
Total	38,084	4,480,023	31,477	3,865,762
No. of persons	2	812	2	710

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items, vehicles and other benefits in accordance with the group companies' policy. Gratuity is payable to chief executives in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 3,558 thousand (2011: Rs Nil) and Rs 93,974 thousand (2011: Rs 7,770 thousand) were paid to the chief executives and executives respectively on separation, in accordance with the Group companies' policy.

In addition, 14, 12 and 7 (2011: 14, 12 and 7) directors of FFC, FFBL and FFCEL were paid aggregate fee of Rs 6,250 thousand, Rs 5,330 thousand and Rs 390 thousand (2011: Rs 1,700 thousand, Rs 550 thousand and Rs 260 thousand) respectively.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

38. OPERATING SEGMENT RESULTS

	Fertilizer		Power generation		Total	
	2012	2011	2012	2011	2012	2011
	Rupees '000		Rupees '000		Rupees '000	
Sales	122,251,581	111,111,913	-	-	122,251,581	111,111,913
Cost of sales	74,774,403	56,625,023	-	-	74,774,403	56,625,023
Gross profit	47,477,178	54,486,890	-	-	47,477,178	54,486,890
Administrative expenses and distribution cost	9,209,658	7,702,720	14,889	28,796	9,224,547	7,731,516
Finance cost	2,691,660	1,824,471	-	-	2,691,660	1,824,471
Other expenses	3,251,369	3,831,447	-	-	3,251,369	3,831,447
Other income	2,426,061	3,214,810	3,667	14,065	2,429,728	3,228,875
Share in profit of equity accounted investments	71,576	409,077	-	-	71,576	409,077
Net profit / (loss) before taxation	34,822,128	44,752,139	(11,222)	(14,731)	34,810,906	44,737,408
Provision for taxation	12,316,639	16,091,095	1,068	5,138	12,317,707	16,096,233
Net profit / (loss) after taxation	22,505,489	28,661,044	(12,290)	(19,869)	22,493,199	28,641,175
Material non-cash items	3,657,960	2,548,046	693	12,609	3,658,653	2,560,655
Depreciation and amortization	2,709,802	2,491,949	1,470	728	2,711,272	2,492,677
Capital expenditure	2,682,374	3,632,675	4,251,557	5,069,837	6,933,931	8,702,512
Finance cost capitalized	-	-	1,090,800	219,713	1,090,800	219,713
Segment assets						
Property, plant and equipment	31,634,834	31,461,121	11,044,213	5,700,761	42,679,047	37,161,882
Stores, spares and loose tools	5,110,420	4,353,190	-	-	5,110,420	4,353,190
Stock in trade	5,318,444	4,043,916	-	-	5,318,444	4,043,916
Trade debts	6,080,551	733,185	-	-	6,080,551	733,185
Cash and bank balances	12,537,549	6,678,137	35,717	726,389	12,573,266	7,404,526
Total segment assets	60,681,798	47,269,549	11,079,930	6,427,150	71,761,728	53,696,699
Segment liabilities						
Long term borrowings	8,537,990	8,208,608	8,855,124	4,136,138	17,393,114	12,344,746
Short term borrowings	14,206,660	16,211,794	-	-	14,206,660	16,211,794
Trade and other payables	24,025,975	20,952,785	18,680	4,136	24,044,655	20,956,921
Total segment liabilties	46,770,625	45,373,187	8,873,804	4,140,274	55,644,429	49,513,461

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

		2012	2011
		(Rupees '000)	
38.1	**Reconciliations of reportable segment assets and liabilities**		
	Assets		
	Total assets for reportable segments	71,761,728	53,696,699
	Intangible assets	1,687,919	1,615,633
	Equity accounted investments	6,398,247	5,503,123
	Other long term investments	253,610	250,818
	Long term loans and advances	700,786	605,883
	Long term deposits and prepayments	300,864	90,487
	Short term loans and advances	1,126,040	872,320
	Short term deposits and prepayments	59,564	67,009
	Other receivables	710,611	1,055,982
	Short term investments	20,300,996	30,632,717
	Total assets	103,300,365	94,390,671
	Liabilities		
	Total liabilities for reportable segments	55,644,429	49,513,461
	Deferred liabilities	7,811,959	7,504,401
	Interest and mark-up accrued	308,611	496,159
	Taxation - net	5,000,827	4,425,068
	Total liabilities	68,765,826	61,939,089

38.2 **Inter-segment pricing**

There were no significant transactions among the business segments during the reported period.

38.3 There were no major customer of the Group which formed part of 10 per cent or more of the Group's revenue.

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Fauji Foundation holds 44.35% (2011: 44.35%) shares of FFC at the year end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of FFC. Related parties also comprise of directors, major shareholders, key management personnel, entities under common directorship, entities over which the directors are able to exercise influence and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 17, 22 and 37 to the financial statements respectively.

	2012	2011
	(Rupees '000)	
Transactions with associated undertaking / companies		
due to common directorship		
Long term investment	781,350	235,285
Sale of fertilizer	14,686	2,840
Rent charged to Group companies	4,919	5,277
Dividend paid	8,038,026	7,394,935
Repayment of principal portion of long term finance	-	19,338
Financial charges	-	328
Medical services	62	72
Purchase of gas as feed and fuel stock	23,501,851	10,741,818
Others (including donations)	249,000	174,786
Issue of bonus shares	1,880,792	752,317
Services received	237,087	73,678
Balance payable - unsecured	1,074	242
Balance receivable - unsecured (included in note 24)	6,935	3,307
Transactions with joint venture company		
Raw material purchased	25,588,487	28,064,300
Expenses incurred on behalf of joint venture company	35,040	34,373
Balance payable - secured	5,758,636	5,947,347
Balance receivable - unsecured	22,733	28,569
Other related parties		
Payments to:		
Employees' Provident Fund Trust	311,359	273,691
Employees' Gratuity Fund Trust	117,457	121,523
Employees' Pension Fund Trust	454,661	109,220
Others:		
Transactions with Workers' Profit Participation Fund	31,032	80,908
Balance payable at the year end	180,896	239,679
Balance of prepayment at the year end	217,202	-
Balance receivable at the year end	53,095	22,063
Remuneration to key management personnel	62,909	64,745

Notes to the Consolidated Financial Statement
for the year ended December 31, 2012

40. POST BALANCE SHEET EVENT

The Board of Directors of FFC, in its meeting held on January 23, 2013, proposed a final dividend of Rs 5 per share and a movement from unappropriated profit to general reserve of Rs 1,300 million while a dividend of Rs 2.25 per share has been proposed by the Board of Directors of FFBL on January 11, 2013.

	2012	2011
	(Tonnes '000)	
41. GENERAL		
41.1 Production capacity		
Design capacity		
Urea	2,599	2,599
DAP	650	650
Production		
Urea	2,956	2,829
DAP	648	662

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

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 2,244,226 thousand and Rs 10,730,000 thousand (2011: Rs 2,231,232 thousand and Rs 13,550,000 thousand) respectively are available to FFC against lien on shipping / title documents and charge on assets of FCC alongwith Corporate Guarantee of FFC in a particular case.

41.3 Donations included Rs 105,000 thousand (2011: Rs 70,000 thousand) paid to the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). Directors' interest in the donee was limited to the extent of their involvement in Fauji Foundation as management personnel:

2012	2011
Lt Gen Muhammad Mustafa Khan, HI(M) (Retd)	Lt Gen Muhammad Mustafa Khan, HI(M) (Retd)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat
Maj Gen Zahid Parvez, HI (M) (Retd)	Maj Gen Zahid Parvez, HI (M) (Retd)
Brig Agha Ali Hassan, SI (M) (Retd)	Brig Agha Ali Hassan, SI (M) (Retd)
Brig Dr Gulfam Alam, SI (M) (Retd)	Brig Dr Gulfam Alam, SI (M) (Retd)

Donation expense for the year also included Rs 101,200 thousand (2011: Rs 65,000) paid to Sona Welfare Foundation, 93 Harley Street, Rawalpindi (associated undertaking). Interest of Chief Executive of FFC Lt Gen Naeem Khalid Lodhi, HI(M) (Retired) was Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

41.4 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on January 23, 2013.

Chairman   Chief Executive   Director

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1325	1	100	68379	0.0054
2598	101	500	835756	0.0657
1821	501	1000	1516827	0.1192
4751	1001	5000	12436308	0.9775
1519	5001	10000	11282005	0.8868
713	10001	15000	8973619	0.7053
413	15001	20000	7346799	0.5775
283	20001	25000	6455607	0.5074
224	25001	30000	6197570	0.4871
132	30001	35000	4316933	0.3393
138	35001	40000	5204925	0.4091
95	40001	45000	4066592	0.3196
123	45001	50000	5973280	0.4695
94	50001	55000	4920936	0.3868
62	55001	60000	3594237	0.2825
54	60001	65000	3386691	0.2662
49	65001	70000	3319267	0.2609
56	70001	75000	4127241	0.3244
34	75001	80000	2639116	0.2074
26	80001	85000	2144597	0.1686
23	85001	90000	2013007	0.1582
33	90001	95000	3047557	0.2395
42	95001	100000	4142942	0.3256
19	100001	105000	1948251	0.1531
18	105001	110000	1937144	0.1523
14	110001	115000	1571541	0.1235
13	115001	120000	1537479	0.1208
15	120001	125000	1849860	0.1454
14	125001	130000	1783829	0.1402
8	130001	135000	1062849	0.0835
7	135001	140000	969330	0.0762
6	140001	145000	860527	0.0676
14	145001	150000	2084457	0.1638
7	150001	155000	1060805	0.0834
15	155001	160000	2364726	0.1859
8	160001	165000	1313808	0.1033
8	165001	170000	1341996	0.1055
12	170001	175000	2067860	0.1625
9	175001	180000	1596558	0.1255
7	180001	185000	1278043	0.1005

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
9	185001	190000	1684828	0.1324
4	190001	195000	767644	0.0603
16	195001	200000	3170542	0.2492
8	200001	205000	1613638	0.1268
4	205001	210000	831544	0.0654
4	210001	215000	844550	0.0664
6	215001	220000	1304739	0.1026
8	220001	225000	1788216	0.1406
2	225001	230000	454268	0.0357
4	230001	235000	931625	0.0732
2	235001	240000	476250	0.0374
1	240001	245000	242601	0.0191
7	245001	250000	1744723	0.1371
4	255001	260000	1029789	0.0809
7	260001	265000	1844428	0.1450
1	265001	270000	268885	0.0211
3	270001	275000	820336	0.0645
2	275001	280000	557500	0.0438
2	280001	285000	565654	0.0445
2	285001	290000	576743	0.0453
4	290001	295000	1171092	0.0920
11	295001	300000	3286841	0.2584
7	300001	305000	2124755	0.1670
3	305001	310000	929060	0.0730
2	310001	315000	623482	0.0490
4	315001	320000	1274374	0.1002
2	320001	325000	646508	0.0508
2	330001	335000	666245	0.0524
5	335001	340000	1687018	0.1326
1	340001	345000	345000	0.0271
4	345001	350000	1400000	0.1100
1	350001	355000	354961	0.0279
3	355001	360000	1075925	0.0846
3	360001	365000	1088175	0.0855
1	370001	375000	375000	0.0295
2	375001	380000	758472	0.0596
2	385001	390000	778000	0.0612
1	390001	395000	390715	0.0307
6	395001	400000	2399100	0.1886
3	405001	410000	1228266	0.0965

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	410001	415000	411700	0.0324
1	415001	420000	420000	0.0330
1	420001	425000	424223	0.0333
4	445001	450000	1792797	0.1409
3	450001	455000	1356345	0.1066
1	455001	460000	460000	0.0362
1	460001	465000	464387	0.0365
3	470001	475000	1420586	0.1117
1	475001	480000	478600	0.0376
1	480001	485000	480650	0.0378
2	485001	490000	977079	0.0768
2	490001	495000	986730	0.0776
4	495001	500000	1997813	0.1570
1	500001	505000	500724	0.0394
1	505001	510000	506667	0.0398
3	510001	515000	1535248	0.1207
1	515001	520000	516000	0.0406
1	520001	525000	521365	0.0410
1	535001	540000	535312	0.0421
1	540001	545000	544593	0.0428
1	555001	560000	560000	0.0440
1	560001	565000	565000	0.0444
3	565001	570000	1699713	0.1336
1	575001	580000	579238	0.0455
1	580001	585000	582664	0.0458
1	595001	600000	600000	0.0472
1	605001	610000	609850	0.0479
1	610001	615000	615000	0.0483
1	620001	625000	625000	0.0491
1	625001	630000	627333	0.0493
1	635001	640000	635179	0.0499
1	640001	645000	643000	0.0505
1	645001	650000	647800	0.0509
1	655001	660000	660000	0.0519
2	670001	675000	1344692	0.1057
2	675001	680000	1350745	0.1062
2	680001	685000	1363423	0.1072
1	695001	700000	700000	0.0550
1	700001	705000	705000	0.0554
1	710001	715000	713839	0.0561

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	720001	725000	722900	0.0568
3	725001	730000	2183382	0.1716
2	745001	750000	1500000	0.1179
1	760001	765000	762717	0.0600
3	770001	775000	2321868	0.1825
1	775001	780000	775125	0.0609
1	780001	785000	784442	0.0617
5	795001	800000	3991928	0.3138
1	810001	815000	812500	0.0639
1	815001	820000	817327	0.0642
1	820001	825000	820652	0.0645
1	840001	845000	840625	0.0661
1	845001	850000	845285	0.0664
1	855001	860000	859599	0.0676
1	860001	865000	861000	0.0677
1	865001	870000	865131	0.0680
1	875001	880000	877200	0.0689
1	900001	905000	904335	0.0711
1	905001	910000	908057	0.0714
2	915001	920000	1836357	0.1443
1	925001	930000	926568	0.0728
1	950001	955000	954918	0.0751
1	975001	980000	979985	0.0770
1	980001	985000	981436	0.0771
1	995001	1000000	1000000	0.0786
1	1010001	1015000	1014500	0.0797
1	1015001	1020000	1019337	0.0801
1	1020001	1025000	1020730	0.0802
1	1030001	1035000	1033700	0.0813
2	1100001	1105000	2202230	0.1731
1	1110001	1115000	1111039	0.0873
1	1135001	1140000	1136510	0.0893
1	1145001	1150000	1146963	0.0902
3	1195001	1200000	3600000	0.2830
1	1215001	1220000	1216500	0.0956
1	1245001	1250000	1250000	0.0983
1	1265001	1270000	1267849	0.0997
1	1295001	1300000	1300000	0.1022
1	1335001	1340000	1336114	0.1050
1	1360001	1365000	1362058	0.1071

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	1395001	1400000	1397379	0.1098
1	1400001	1405000	1403790	0.1103
1	1410001	1415000	1412747	0.1110
1	1445001	1450000	1449630	0.1139
1	1455001	1460000	1459478	0.1147
1	1465001	1470000	1467174	0.1153
1	1480001	1485000	1481802	0.1165
2	1495001	1500000	3000000	0.2358
1	1515001	1520000	1519407	0.1194
1	1550001	1555000	1555000	0.1222
2	1555001	1560000	3114500	0.2448
1	1595001	1600000	1600000	0.1258
1	1660001	1665000	1661643	0.1306
1	1670001	1675000	1670900	0.1313
1	1700001	1705000	1704022	0.1339
1	1770001	1775000	1773742	0.1394
1	1785001	1790000	1787452	0.1405
1	1890001	1895000	1893887	0.1489
1	1905001	1910000	1905410	0.1498
1	1940001	1945000	1940700	0.1525
1	1955001	1960000	1959913	0.1541
1	1985001	1990000	1988809	0.1563
1	1990001	1995000	1993348	0.1567
1	1995001	2000000	2000000	0.1572
1	2000001	2005000	2000045	0.1572
1	2020001	2025000	2025000	0.1592
1	2115001	2120000	2117363	0.1664
2	2150001	2155000	4307306	0.3386
1	2170001	2175000	2175000	0.1710
1	2215001	2220000	2219539	0.1745
1	2230001	2235000	2230308	0.1753
1	2255001	2260000	2255859	0.1773
1	2350001	2355000	2351693	0.1848
1	2390001	2395000	2393000	0.1881
1	2575001	2580000	2575312	0.2024
1	2835001	2840000	2835029	0.2228
1	3020001	3025000	3023017	0.2376
1	3235001	3240000	3238437	0.2545
1	3315001	3320000	3316693	0.2607
1	3350001	3355000	3353173	0.2636

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	3545001	3550000	3548840	0.2789
1	3895001	3900000	3900000	0.3065
1	4525001	4530000	4530000	0.3561
1	4650001	4655000	4650923	0.3656
1	4755001	4760000	4757400	0.3739
1	5040001	5045000	5040099	0.3962
1	5315001	5320000	5315515	0.4178
1	5655001	5660000	5658859	0.4448
1	5945001	5950000	5947712	0.4675
1	5965001	5970000	5969487	0.4692
1	6480001	6485000	6485000	0.5097
1	8295001	8300000	8296903	0.6522
1	8695001	8700000	8700000	0.6838
1	8875001	8880000	8875949	0.6977
1	8945001	8950000	8945913	0.7032
1	9180001	9185000	9182839	0.7218
1	10030001	10035000	10032000	0.7885
1	11275001	11280000	11276718	0.8864
1	28260001	28265000	28264673	2.2216
1	29995001	30000000	29999275	2.358
1	31420001	31425000	31422183	2.4698
1	36045001	36050000	36048555	2.8335
1	114555001	114560000	114557735	9.0044
1	129515001	129520000	129516412	10.1802
1	434685001	434690000	434687842	34.1672
15145			1272238247	100.00

Pattern of Shareholding
as at December 31, 2012

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	3	42,018,792	3.30
2	Bank, DFI & NBFI	37	77,034,585	6.06
3	Insurance Companies	19	134,561,823	10.58
4	Modarabas & Mutuals Funds	78	22,951,998	1.80
5	Foreign Investors	102	104,519,980	8.22
6	Chariatable Trust & Others	188	609,092,147	47.88
7	Others	194	55,740,792	4.38
8	Individuals	14524	226,318,130	17.78
	Total Shares	**15145**	**1,272,238,247**	**100.00**

	No of Shares
NIT & ICP	
National Investment Trust	42,018,042
Investment Corporation of Pakistan	750
Executives	2,489,836
Public Sector Companies and Corporations	45,408,195
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	229,508,307
Shareholders Holding ten percent or more voting interest	
Fauji Foundation	564,204,254

Financial Calendar

The Company follows the period of January 01 to December 31 as the financial year.

Financial Results will be announced as per the following tentative schedule:

Annual General Meeting	March 07, 2013
1st Quarter ending March 31, 2013	Last Week of April, 2013
2nd Quarter ending June 30, 2013	Last Week of July, 2013
3rd Quarter ending September 30, 2013	Last Week of October, 2013
Year ending December 31, 2013	Last Week of January, 2014