

First Quarter
Accounts
2014



Company Information

DIRECTORS

- Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)
Chairman
- Lt Gen Muhammad Haroon Aslam, HI(M), SBT, (Retd)
Chief Executive & Managing Director
- Lt Gen Naeem Khalid Lodhi, HI(M), (Retd)
- Mr Qaiser Javed
- Dr Nadeem Inayat
- Maj Gen Syed Jamal Shahid, HI(M), (Retd)
- Brig Parvez Sarwar Khan, SI(M), (Retd)
- Brig Dr Gulfam Alam, SI(M), (Retd)
- Brig Muhammad Saeed Khan, (Retd)
- Mr Naved A. Khan
- Mr Nasier A. Sheikh
- Dr Rashid Bajwa

COMPANY SECRETARY

Brig Shaukat Yaqub Malik, SI(M), (Retd)

CFO

Syed Aamir Ahsan

REGISTERED OFFICE

73 Harley Street, Rawalpindi, Pakistan

Tel: (051) 9272196-97, 9270923

Fax: (051) 9272198-9

E-mail: secretary@ffbl.com

Website: <http://www.ffbl.com>

PLANTSITE

Bin Qasim, Karachi, Pakistan

LEGAL ADVISORS

Orr Dignam & Co

Advocates,

3-A, Street 32, Sector F-8/1,

Islamabad, Pakistan

AUDITORS

KPMG Taseer Hadi & Co

Chartered Accountants

6th Floor, State Life Building,

Jinnah Avenue, Islamabad.

SHARES REGISTRAR

Corplink (Pvt) Limited

Wings Arcade, 1-K, Commercial,
Model Town, Lahore.

Tel: (042) 35839182, 35887262

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Directors' Review

For the Quarter Ended March 31, 2014

The Board of Directors is pleased to present an overview of the operational and financial performance of the Company for the quarter ended March 31, 2014.

By the grace of Almighty, the overall performance of the plants remained satisfactory during the period despite severe gas curtailment faced by FFBL during the first quarter. The curtailment increased to 54% against the 24% in the corresponding period and badly affected the overall operations of the plant. Ammonia, Urea and DAP plants remained closed for 49, 70 and 47 days respectively. Production of Ammonia at 36 thousand tonnes, Urea at 22 thousand tonnes and DAP at 99 thousand tonnes was lower by 46%, 59% and 31% respectively, comparing with the corresponding period.

FFBL Urea (G) sales during Jan-Mar 2014 were 21 thousand tonnes, showing a decrease of 59% as compared to 51 thousand tonnes sales of corresponding period of 2013 due to low production. Sona DAP sales during the period were 90 thousand tonnes, 5% lower than 95 thousand tonnes sales of Jan-Mar 2013.

Urea industry sales during Jan-Mar 2014 are estimated at 1,415 thousand tonnes showing an increase of 6% as compared to 1,341 thousand tonnes sales during the same period of 2013. DAP industry sales during Jan-Mar 2014 are estimated at 204 thousand tonnes, 45% higher than 141 thousand tonnes sales of 2013.

Urea imports during Jan-Mar 2014 were 304 thousand tonnes which are considerably higher than the imports of 86 thousand tonnes during Jan-Mar 2013.

During Jan-Mar 2014 FFBL share in Urea and DAP market is estimated to be 1.5% and 44% respectively.

FFBL's financial results for the first quarter 2014 have shown a dip as compared with corresponding period. The main reasons are low production due to gas curtailment and increase in Gas Infrastructure Development Cess (GIDC) from Rs 197 per MMBTU to Rs 300 per MMBTU on feed gas and from Rs 50 per MMBTU to Rs 100 per MMBTU on fuel gas, which FFBL did not pass on to its customers.

Further FFBL had to take the share of loss of Rs 330 million from its associated company Askari Bank Limited. This was offset by profits earned from other associated companies i.e. PMP, Fauji Cement Company Ltd., Foundation Wind Energy - I & II.

As part of its CSR activities, the Company contributed Rs 30 million to IBA during this quarter.

Net profit after tax, as a result of the above stated factors stood at Rs 48 million for the first quarter ended 31 March, 2014, decreased by Rs 444 million against the corresponding period. Company's

earnings per share at March 31, 2014 stood at Rs 0.05 against Rs 0.53 in the corresponding period.

The overall PMP plant performance remained satisfactory for the year 2013. PMP produced 390 thousand tonnes of P_2O_5 out of which 323 thousand tonnes was exported to FFBL. PMP reported a net loss of MAD 1 million only for the year ended December 31, 2013.

Consistent gas supply is still a challenge for fertilizer sector in the days to come. FFBL is in close coordination with Ministry of Petroleum and SSGC for improvement of gas supply in the context of growing fertilizer demand in the country. We are optimistic that going forward we will have InshaAllah better gas supply and will cover up some of the lost production.

For and on behalf of the Board



Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)
Chairman

Rawalpindi
22 April 2014

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2014

	Un - audited March 31, 2014	Audited December 31, 2013
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Note	(Rupees '000)	
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EQUITY AND LIABILITIES

ISSUED SHARE CAPITAL AND RESERVES

Share capital	9,341,100	9,341,100
Capital reserve	228,350	228,350
Statutory reserve	6,380	6,380
Translation reserve	1,139,140	1,041,870
Accumulated profit	1,116,858	3,170,674
	11,831,828	13,788,374

NON-CURRENT LIABILITIES

Long term loan and deferred Government assistance	5	584,119	584,119
Deferred liabilities	6	3,387,255	3,460,397
		3,971,374	4,044,516

CURRENT LIABILITIES

Trade and other payables	8,959,044	8,371,789
Mark - up accrued	167,847	236,052
Short term borrowings	11,501,829	7,985,128
Current portion of long term loan	5	2,008,682
Provision for income tax - net	505,453	727,582
	23,142,855	19,329,233
	38,946,057	37,162,123

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

	Un - audited March 31, 2014	Audited December 31, 2013
Note	(Rupees '000)	

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	8	12,869,466	13,059,509
Long term investments	9	10,064,279	9,864,133
Long term deposits		78,643	78,643
		23,012,388	23,002,285

CURRENT ASSETS

Stores and spares	2,059,016	2,107,493
Stock in trade	2,807,137	1,129,257
Trade debts	528,799	1,603,643
Advances	526,701	572,966
Trade deposits and short term prepayments	100,020	29,877
Interest accrued	18,351	19,729
Other receivables	867,428	705,513
Sales tax refundable	444,484	190,691
Short term investments	5,279,237	5,323,136
Cash and bank balances	3,302,496	2,477,533
	15,933,669	14,159,838

38,946,057	37,162,123
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CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



FFBL
Fauji Fertilizer Bin Qasim Limited

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2014**

		2014	2013
	Note	(Rupees '000)	
Sales - net		6,040,576	7,694,498
Cost of sales	10	(5,210,549)	(6,046,534)
Gross profit		830,027	1,647,964
Selling and distribution expenses		(449,515)	(521,896)
Administrative expenses		(262,766)	(182,758)
		117,746	943,310
Finance costs		(42,139)	(265,563)
Other operating expenses		(11,865)	(58,828)
		63,742	618,919
Other income			
Share of (loss) / profit of joint venture and associates - net	9	(162,408)	(48,239)
Others		172,556	176,526
		10,148	128,287
Profit before taxation		73,890	747,206
Taxation		(25,958)	(255,146)
Profit after taxation		47,932	492,060
Earnings per share - basic and diluted (Rupees)		0.05	0.53

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2014**

	2014	2013
	(Rupees '000)	
Profit after taxation	47,932	492,060
Other comprehensive income		
Exchange difference on translating a joint venture	97,588	181,764
Effect of translation - share of Askari Bank Limited under equity method	(318)	-
Total comprehensive income	145,202	673,824

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2014

		2014	2013
	Note	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	11	(385,022)	(727,764)
Income tax paid		(349,644)	(414,718)
Payment to Gratuity Fund		(51,301)	-
Finance cost paid		(293,326)	(329,664)
Compensated absences paid		(7,947)	(6,096)
Payment to Workers' (Profit) Participation Fund		(49,808)	(17,042)
Net cash used in operating activities		(1,137,048)	(1,495,284)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(155,126)	(216,732)
Long term investments		(279,346)	(1,411,675)
Sale proceeds of property, plant and equipment		13,650	4,140
Short term investments		(70,791)	69,562
Profit received on bank balances and term deposits		82,434	117,471
Net cash used in investing activities		(409,179)	(1,437,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		(1,250,000)	5,300,000
Dividend paid		(1,335,511)	(1,161,698)
Net cash (used in) / generated from financing activities		(2,585,511)	4,138,302
Net (decrease) / increase in cash and cash equivalents		(4,131,738)	1,205,784
Cash and cash equivalents at beginning of the quarter		3,042,405	4,717,307
Cash and cash equivalents at end of the quarter		(1,089,333)	5,923,091
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprises the following balance sheet amounts:			
- Cash and bank balances		3,302,496	7,713,203
- Short term highly liquid investments		1,010,000	1,680,000
- Short term running finance		(5,401,829)	(3,470,112)
		(1,089,333)	5,923,091

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2014

	Reserves					Total
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profit	
		(Rupees ' 0 0 0)				
Balance as at January 01, 2013	9,341,100	228,350	6,380	712,205	2,342,794	12,630,829
Total comprehensive income						
Profit for the period after taxation	-	-	-	-	492,060	492,060
Other comprehensive income for the period	-	-	-	181,764	-	181,764
Total comprehensive income for the period	-	-	-	181,764	492,060	673,824

Transactions with owners, recorded directly in equity

Distributions to owners

Final dividend 2012 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
Total transactions with owners	-	-	-	-	(2,101,748)	(2,101,748)
Balance as at March 31, 2013	9,341,100	228,350	6,380	893,969	733,106	11,202,905

Balance as at January 01, 2014	9,341,100	228,350	6,380	1,041,870	3,170,674	13,788,374
Total comprehensive income						
Profit for the period after taxation	-	-	-	-	47,932	47,932
Other comprehensive income for the period	-	-	-	97,270	-	97,270
Total comprehensive income for the period	-	-	-	97,270	47,932	145,202

Transactions with owners, recorded directly in equity

Distributions to owners

Final dividend 2013 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
Total transactions with owners	-	-	-	-	(2,101,748)	(2,101,748)
Balance as at March 31, 2014	9,341,100	228,350	6,380	1,139,140	1,116,858	11,831,828

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2014

1. Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984, and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The registered office of the Company is situated at Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000. The Company is a subsidiary of Fauji Fertilizer Company Limited (the holding company) with shareholding of 50.88%.
2. This condensed interim financial information of the Company for the quarter ended March 31, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures in this condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended December 31, 2013. Comparative balance sheet is extracted from annual financial statements as of December 31, 2013 whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are extracted from unaudited condensed interim financial information for the quarter ended March 31, 2013.

This condensed interim financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Islamabad, Karachi and Lahore Stock Exchanges.

3. The accounting policies and method of computation adopted for the preparation of this condensed interim financial information is same as those applied in preparation of financial statements for the preceding year ended December 31, 2013.
4. Status of significant shareholding as at March 31, 2014 is given below:

	Shares	Percentage
Fauji Fertilizer Company Limited	475,232,996	50.88
Fauji Foundation	161,501,286	17.29
	Un - audited March 31, 2014	Audited December 31, 2013
	(Rupees '000)	

5. LONG TERM LOAN AND DEFERRED GOVERNMENT ASSISTANCE

Government of Pakistan (GoP) loan	2,514,867	2,514,867
Less: Current portion shown under current liabilities	2,008,682	2,008,682
	506,185	506,185
Deferred Government assistance	77,934	77,934
	584,119	584,119

	Note	Un - audited March 31, 2014 (Rupees '000)	Audited December 31, 2013
6. DEFERRED LIABILITIES			
Compensated leave absences		386,469	358,052
Deferred tax	6.1	3,000,786	3,102,345
		<u>3,387,255</u>	<u>3,460,397</u>
6.1 The balance of deferred tax is in respect of the following major temporary differences:			
Accelerated depreciation		3,085,317	3,155,906
Share of (loss) / profit of associates - net		(28,244)	2,726
Provision for inventory obsolescence		(56,287)	(56,287)
		<u>3,000,786</u>	<u>3,102,345</u>
7. CONTINGENCIES AND COMMITMENTS			
Contingencies			
i) Indemnity bonds and undertakings given to the customs authorities for the machinery imported by the Company for installation at plant site.		119,650	119,650
ii) Guarantees issued by banks on behalf of the Company.		43,567	29,698
iii) Company's share of contingent liabilities of Fauji Cement Company Limited as at December 31, 2013.		21,764	21,764
iv) Company's share of contingent liabilities of Foundation Wind Energy - I Limited as at December 31, 2013.		69,619	69,619
v) Company's share of contingent liabilities of Foundation Wind Energy - II (Pvt) Limited as at December 31, 2013.		60,975	60,975
vi) Company's share of contingent liabilities of Askari Bank Limited as at December 31, 2013.		36,112,560	35,378,051
Commitments			
i) Capital expenditure - contracted.		741,538	614,631
ii) Letters of credit for purchase of stores, spares and raw materials.		1,665,870	1,759,208
iii) Commitments with Fauji Foundation for investment in wind power projects.		2,842,809	3,022,155
iv) Company's share of commitments of PMP as at December 31, 2013.		282,604	271,442
8. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value		13,059,509	13,832,122
Additions		155,126	619,069
Disposals		(33,052)	(30,454)
Depreciation		(343,777)	(1,386,791)
Depreciation on disposed off items		31,660	25,563
Closing written down value		<u>12,869,466</u>	<u>13,059,509</u>

Un - audited March 31, 2014	Audited December 31, 2013
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(Rupees '000)

9. LONG TERM INVESTMENTS

Investment in joint venture - equity method

Pakistan Maroc Phosphore S.A, Morocco (PMP)

Balance brought forward	2,346,725	2,225,794
Share of profit / (loss)	147,584	(205,972)
Gain during the year on translation of net assets	97,588	326,903
Closing balance	2,591,897	2,346,725

Investment in associates - equity method

Fauji Cement Company Limited (FCCL)

Balance brought forward	358,313	351,588
Share of profit	8,748	30,162
Dividend	(14,062)	(23,437)
Closing balance	352,999	358,313

Foundation Wind Energy - I Limited (FWE-I)

Opening balance	923,941	329,390
Advance paid during the year against issue of shares	83,120	603,664
Share of loss	(937)	(9,113)
Closing balance	1,006,124	923,941

Foundation Wind Energy - II (Pvt) Limited (FWE-II)

Opening balance	971,100	620,290
Advance paid during the year against issue of shares	96,226	357,546
Share of profit / (loss)	11,901	(6,736)
Closing balance	1,079,227	971,100

Askari Bank Limited (AKBL)

Opening balance	5,262,054	5,230,990
Share of (loss) / profit	(329,704)	28,302
Effect of translation	(318)	2,762
Closing balance	4,932,032	5,262,054

Investment in subsidiaries

Advance paid against issue of shares - Fauji Meat Limited (FML)	101,000	1,000
Advance paid against issue of shares - Fauji Foods Limited (FFL)	1,000	1,000
	102,000	2,000

Investment - available for sale - unquoted

Arabian Sea Country Club Limited (ASCCL)

300,000 ordinary shares of Rs. 10 each	3,000	3,000
Less: Impairment in value of investment	3,000	3,000
	-	-
	10,064,279	9,864,133

For the quarter ended March 31,

2014 2013

(Rupees '000)

10. COST OF SALES

Raw materials consumed	3,978,737	6,579,592
Packing materials consumed	75,207	116,409
Fuel and power	446,498	501,062
Chemicals and supplies consumed	41,465	52,587
Salaries, wages and benefits	388,737	408,666
Rent, rates and taxes	5,673	5,916
Insurance	24,725	29,040
Travel and conveyance	37,534	25,302
Repairs and maintenance	347,254	467,724
Communication, establishment and others	31,362	44,773
Depreciation	335,094	352,835
Opening stock - work in process	26,936	13,615
Closing stock - work in process	(81,039)	(57,682)
Cost of goods manufactured	5,658,183	8,539,839
Opening stock - finished goods	547,596	1,993,998
Closing stock - finished goods	(995,230)	(4,487,303)
Cost of sales	5,210,549	6,046,534

11. CASH USED IN OPERATIONS

Profit before taxation from ordinary activities	73,890	747,206
Adjustment for:		
Provision for gratuity	17,950	14,757
Exchange (gains) / losses	(183,327)	47,210
Provision for compensated absences	36,364	20,694
Provision for Workers' (Profit) Participation Fund	4,271	40,285
Provision for Workers' Welfare Fund	7,264	18,213
Depreciation	343,777	358,696
Finance cost	225,466	218,353
Profit on bank balances and term deposits	(81,057)	(101,347)
Share of loss / profit of joint venture and associates - net	162,408	48,239
Gain on sale of investments	(75,310)	(69,562)
Gain on sale of property, plant and equipment	(12,258)	(3,534)
Operating profit before working capital changes	519,438	1,339,210
Changes in working capital		
Stores and spares	48,477	14,957
Stock in trade	(1,677,880)	(3,500,604)
Trade debts	1,074,844	1,815,149
Advances	46,265	(191,261)
Trade deposits and short term prepayments	(70,143)	(89,757)
Other receivables	(147,852)	894,313
Sales tax receivable	(253,794)	-
Trade and other payables	75,623	(1,009,771)
	(904,460)	(2,066,974)
Cash used in operations	(385,022)	(727,764)

For the quarter ended March 31,

2014

2013

(Rupees '000)

12. RELATED PARTY TRANSACTIONS

Transactions with the holding company

Services and material acquired	106,196	98,748
Services and material provided	-	5,933
Commission charged to the Company	2,217	2,904
Dividend paid	1,069,274	1,069,274
Balance receivable - unsecured	635,589	572,623 *

Transactions with subsidiary companies

Services provided	6,207	-
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Transactions with associated undertakings due to common directorship

Rent charged to the Company	324	300
Dividend paid	363,378	363,378
Investment	279,346	1,411,675

Transactions with joint venture company

Purchase of raw materials	4,351,800	6,292,881
Expenses incurred on behalf of joint venture company	4,340	5,517
Balance payable - secured	3,545,569	3,370,005 *
Balance receivable - unsecured	21,776	19,989 *

Other related parties

Contribution booked towards Provident Fund	14,519	11,480
Contribution booked towards Gratuity Fund	17,951	14,757
Remuneration including benefits and perquisites of Chief Executive Officer and executives		
No of persons 2014 : 1 and 18. (2013 : 1 and 15)	79,748	59,611
Payment to Workers' (Profit) Participation Fund	49,808	17,042
Balance payable - unsecured	960,632	998,559 *
Payable to Gratuity Fund	140,302	173,653 *

*Balance of accounts appearing as comparatives are as at December 31, 2013

13. GENERAL

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

13.2 Corresponding figures have been re-arranged / restated, wherever necessary, for the purpose of comparison.

13.3 This condensed interim financial information was authorized for issue by the Board of Directors of the Company in their meeting held on April 22, 2014.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

