KPMG Taseer Hadi & Co.
Chartered Accountants

Sona Welfare Foundation

Financial Statements
For the year ended 31 December
2012

KPMG Taseer Hadi & Co.
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRSUTEES OF SONA WELFARE FOUNDATION

We have audited the accompanying financial statements of Sona Welfare Foundation ("the Foundation"), which comprise the balance sheet as at 31 December 2012, the income and expenditure account, statement of comprehensive income and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Date: 25 July 2013
ISLAMABAD

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS
Muhammad Rehan Chughtai

Sona Welfare Foundation

Balance Sheet

As at 31 December 2012

	Note	2012 (Rupees)	2011 (Rupees)
FUND BALANCE			
Fund balance		**49,360,165**	14,602,715
NON-CURRENT LIABILITIES			
Deferred grant	4	**2,619,451**	281,206
Restricted grant	5	**182,159,926**	54,699,173
Staff retirement benefits	6	**13,756,710**	-
Total non current liabilities		**198,536,087**	54,980,379
CURRENT LIABILITIES			
Accrued and other liabilities	7	**36,987**	815,283
Due to Fauji Fertilizer Company Limited		**1,073,517**	-
Total current liabilities		**1,110,504**	815,283
TOTAL FUND AND LIABILITIES		**249,006,756**	70,398,377
Commitments	8		

	Note	2012 (Rupees)	2011 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	9	**2,619,451**	281,206
CURRENT ASSETS			
Due from Fauji Fertilizer Company Limited		-	241,659
Short term investment	10	**27,175,888**	-
Advances, prepayments and other receivables	11	**1,531,374**	857,735
Bank balances	12	**217,680,043**	69,017,777
Total current assets		**246,387,305**	70,117,171
TOTAL ASSETS		**249,006,756**	70,398,377

The annexed notes from 1 to 20 form an integral part of these financial statements.

Trustee

CHIEF OPERATING OFFICER

Trustee

CHAIRMAN

Sona Welfare Foundation
Income and Expenditure Account
For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 to 31 December 2011 (Rupees)
Funds received during the period	*13*	-	10,000,000
Service charges	*14*	**253,312,685**	73,678,365
Amorization of deferred grant	*4*	**307,224**	37,664
Amount transferred from restricted grant	*5*	**22,939,500**	620,000
Interest income from short term investment		**3,379,175**	-
Interest income from bank deposits		**14,835,865**	759,053
		294,774,449	85,095,082
Salaries and related expenses	*15*	**(230,284,259)**	(66,980,331)
Administrative and general expenses	*16*	**(6,793,240)**	(2,892,036)
Welfare expenses	*17*	**(22,939,500)**	(620,000)
Surplus of income over expenditure		**34,757,450**	14,602,715

The annexed notes from 1 to 20 form an integral part of these financial statements.

Trustee
CHIEF OPERATING OFFICER

Trustee
CHAIRMAN

Sona Welfare Foundation

Statement of Comprehensive Income

For the year ended 31 December 2012

	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 to 31 December 2011 (Rupees)
Surplus of income over expenditure for the year / period	**34,757,450**	14,602,715
Other comprehensive income	-	-
Total comprehensive income for the year / period	**34,757,450**	14,602,715

The annexed notes from 1 to 20 form an integral part of these financial statements.

Trustee
CHIEF OPERATING OFFICER

Trustee
CHAIRMAN

Sona Welfare Foundation

Cashflow Statement

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 31 December 201 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus of income over expenditure for the year/ period		**34,757,450**	14,602,715
Adjustments:			
- Depreciation charge for the year / period	*9*	**307,224**	37,664
- Staff retirement benefits		**13,756,710**	-
- Amorization of deferred grant	*4*	**(307,224)**	(37,664)
- Interest income from short term investments		**(3,379,175)**	-
- Interest income from bank deposits		**(14,835,865)**	(759,053)
- Restricted grant recognized as income	*5*	**(22,939,500)**	(620,000)
Operating surplus before working capital changes		**7,359,620**	13,223,662
Changes in working capital:			
Decrease / (increase) in due from Fauji Fertilizer Company Limited		**241,659**	(241,659)
Increase in advances, prepayments and other receivables		**(656,678)**	(532,975)
Increase in due to Fauji Fertilizer Company Limited		**1,073,517**	-
(Decrease) / increase in accrued and other liabilities		**(778,296)**	815,283
		(119,798)	40,649
Interest received during the year / period		**16,288,006**	510,199
Taxes paid during the year / period		**(265,815)**	(75,906)
Net cash generated from operating activities		**23,262,013**	13,698,604
CASH FLOW FROM INVESTING ACTIVITIES			
Addition to property and equipment	*9*	**(2,645,469)**	(318,870)
Short term investment - net		**(25,000,000)**	-
Net cash used in investing activities		**(27,645,469)**	(318,870)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash generated from financing activities - Grant received during the year / period	*5*	**153,045,722**	55,638,043
Net Increase in cash and cash equivalents		**148,662,266**	69,017,777
Cash and cash equivalents at the begining of the year / period		**69,017,777**	-
Cash and cash equivalents at the end of the year / period	*12*	**217,680,043**	69,017,777

The annexed notes from 1 to 20 form an integral part of these financial statements.

Trustee
CHIEF OPERATING OFFICER

Trustee
CHAIRMAN

Sona Welfare Foundation

Statement of Changes in Fund Balance

For the year ended 31 December 2012

	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 to 31 December 2011 (Rupees)
Opening balance as at 01 January	**14,602,715**	-
Surplus of income over expenditure for the year / period	**34,757,450**	14,602,715
Other comprehensive income	-	-
Balance as at 31 December	**49,360,165**	14,602,715

The annexed notes from 1 to 20 form an integral part of these financial statements.

Trustee
CHIEF OPERATING OFFICER

Trustee
CHAIRMAN

1. THE FOUNDATION AND ITS OPERATIONS

Sona Welfare Foundation ("the Foundation") is a non-profit organization. The Foundation was established in May 2011 and is registered in Pakistan as a society under the Societies Registration Act, XXI of 1860.

The principal objective of the Foundation is to carry out public welfare and related activities. All the income generated by the Foundation is applied towards furtherance of its objectives. The principal office of the Foundation is situated at 64-A, Harley Street, Rawalpindi.

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.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and 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 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 if the revision affects both current and future periods.

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

2.4.1 Property and equipment

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

2.4.2 Provisions

The Foundation reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

2.4.3 Impairment

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

2.4.4 Staff retirement benefits

During the year, the Foundation introduced an un-funded gratuity scheme. Being a constructive obligation, provision is made annually to cover obligations under the scheme.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Cost of an item of fixed assets comprises purchase price, import duties and other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Depreciation is provided on a straight-line basis and charged to income and expenditure account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 8. Depreciation on property and equipment is charged from the date when the asset becomes available for use up to the date of its disposal.

The cost of replacing a part of item of fixed asset is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Foundation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of the fixed assets are recognized in income and expenditure as incurred. Gains and losses on disposal are included in income.

3.2 Deferred grant

Grants related to plant and equipment are accounted for by setting up the grant as deferred grant. This is recognized as income on a systematic basis over the useful life of the related assets.

3.3 Taxation

A provision for current taxation has not been made in these financial statements as the Foundation has applied to the taxation authorities for grant of exemption from the date of its incorporation and management is confident of securing this exemption.

3.4 Revenue recognition

Services
Income from services is recognized when related services are provided and it is probable that economic benefits will flow to the Foundation.

Grants
Grant received for immediate financial support to the Foundation and may not be available for whole class of beneficiaries, is recognized as income in the period in which the Foundation qualifies to receive it. Grant received for welfare activities is recognized as income over the periods necessary to match with the related costs on a systematic basis.

Interest income
Interest income is recognized on a time proportion basis using the applicable interest rate.

3.5 Provisions

A provision is recognized in the financial statements when the Foundation has a legal or constructive obligation as a result of past events and 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.

3.6 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 Foundation 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.

3.7 Cash and cash equivalents

Cash and cash equivalents represent balances with banks.

3.8 Restricted funds

Grant received to undertake the welfare activities is initially recognized as restricted grant and is recognized as income over the period in which the Foundation recognizes the related costs for which grants are intended to compensate.

3.9 Loans and receivables

Investmets are classified as loans and recievables which have fixed or determinable payments and are not quoted in inactive market. These are measured at amortized cost using the effective interest method less impairment, if any.

3.10 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income and expenditure account.

Non-financial assets

The carrying amount of the Foundation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.11 Staff retirement benefits

During the year, the Foundation introduced an un-funded gratuity scheme for its eligible employees which is payable at the time of separation from service. The gratuity entitlement is equivalent to one month's gross salary for each completed year of service. Being a constructive obligation, provision is made annually to cover obligations under the scheme.

3.12 Approved accounting standards which are not yet effective

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

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 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 1 January 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 Foundation.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 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 Foundation.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 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. The amendments have no impact on financial statements of the Foundation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 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 Foundation.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Foundation.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 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 1 January 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 1 January 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 Foundation.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 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 Foundation.

- 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 Foundation.

4. DEFERRED GRANT

	Note	2012 (Rupees)	2011 (Rupees)
Opening balance		**281,206**	-
Property and equipment purchased during the year / period	*5 & 9*	**2,645,469**	318,870
Less: Depreciation for the year / period	*9*	**(307,224)**	(37,664)
		2,619,451	281,206

5. RESTRICTED GRANT

	Note	Nordex (Rupees)	FFC (Rupees)	Total (Rupees)	2011 (Rupees)
Opening balance		-	**54,699,173**	**54,699,173**	-
Grant received during the year / period		**6,900,250**	**146,145,472**	**153,045,722**	55,638,043
Transferred to deferred grant	*4 & 9*	-	**(2,645,469)**	**(2,645,469)**	(318,870)
Transferred to income and expenditure account		**(2,300,000)**	**(20,639,500)**	**(22,939,500)**	(620,000)
		4,600,250	**177,559,676**	**182,159,926**	54,699,173

	2012 (Rupees)	2011 (Rupees)
6. STAFF RETIREMENT BENEFITS		
Provision for gratuity	**13,756,710**	-
	13,756,710	-
7. ACCRUED AND OTHER LIABILITIES		
Accrued expenses	**36,987**	314,290
Payable to employees	-	218,990
Others	-	282,003
	36,987	815,283
8. COMMITMENTS		
Commitment to provide funds for welfare activities	**10,500,000**	-

9. PROPERTY AND EQUIPMENT

	Note	Vehicles	Computer and other equipment	Furniture and fixtures	Electrical, gas and office equipment	Total
				(Rupees)		
Cost						
As at 1 January 2011		-	-	-	-	-
Additions during the period		-	299,970	18,900	-	318,870
As at 31 December 2011		-	299,970	18,900	-	318,870
As at 1 January 2012		-	**299,970**	**18,900**	-	**318,870**
Additions during the year	*4 & 5*	**1,910,185**	**676,860**	-	**58,424**	**2,645,469**
As at 31 December 2012		**1,910,185**	**976,830**	**18,900**	**58,424**	**2,964,339**
Depreciation						
As at 1 January 2011		-	-	-	-	-
Charge during the period		-	37,053	611	-	37,664
As at 31 December 2011		-	37,053	611	-	37,664
As at 1 January 2012		-	**37,053**	**611**	-	**37,664**
Charge during the year	*4*	**140,473**	**163,660**	**1,890**	**1,201**	**307,224**
As at 31 December 2012		**140,473**	**200,713**	**2,501**	**1,201**	**344,888**
Written down value as at						
- 31 December 2012		**1,769,712**	**776,117**	**16,399**	**57,223**	**2,619,451**
- 31 December 2011		-	262,917	18,289	-	281,206
Depreciation rates (%)		20%	33%	10%	15%	

	Note	2012 (Rupees)	2011 (Rupees)
10. SHORT TERM INVESTMENT			
Loans and receivables			
Investment in Term Deposit Receipt	*10.1*	**27,175,888**	-
		27,175,888	-

10.1 This represents investment made in term deposit with Samba Bank Limited pursuant to the requirements of the Memorandum of Association of the Foundation (refer note 12.2). This carries interest of 11.5% p.a and will mature on 31 March 2013.

	Note	2012 (Rupees)	2011 (Rupees)
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid insurance		**548,953**	532,975
Accrued income on bank deposit		-	248,854
Advance tax		**341,721**	75,906
Advances to suppliers		**640,700**	-
		1,531,374	857,735
12. BANK BALANCES			
Local currency current accounts		**5,062,567**	1,463,759
Local currency saving account	*12.1*	**212,617,476**	67,554,018
	12.2	**217,680,043**	69,017,777

12.1 These carry interest rate of 8.75% (2011: 5%) per annum.

12.2 Pursuant to the requirements of the Memorandum of Association, the Foundation is required to invest Rs. 8.69 million (2011: Rs. 3.65 million) in Government securities, investment schemes registered under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, mutual funds, real estate investment trust approved under Real Estate Investment Trust Regulations, 2008 or scheduled banks. At the year end, the Foundation has invested Rs. 25 million (2011: Rs. Nil) with a scheduled bank as disclosed in note 10.1.

13. FUNDS RECEIVED DURING THE PERIOD

This represented funds received for immediate financial support of the Foundation to meet its start up expenses.

14 SERVICE CHARGES

This represents income from services provided to Fauji Fertilizer Company Limited ("FFC") pursuant to administrative support services agreement ("the Agreement") dated 22 August 2011. As per terms of the Agreement, the Foundation provides various support services to FFC including maintenance, warehousing, security and other services on actual cost reimbursement plus 10% service charge basis. Original term of the Agreement was for a period of one year. During the year, the Agreement has been extented for a further period of two years, extendable with mutual consent of the Foundation and FFC.

	Note	**Year ended 31 December 2012 (Rupees)**	For the period from 4 May 2011 to 31 December 2011 (Rupees)
15. SALARIES AND RELATED EXPENSES			
Salaries and other benefits	*15.1*	**225,201,073**	65,449,300
Employee old age benefits		**3,451,625**	1,033,840
Travelling and related expenses		**1,631,561**	497,191
		230,284,259	66,980,331

15.1 This includes Rs. 13.50 million in respect of charge for staff retriement benefits.

16. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 to 31 December 2011 (Rupees)
Salaries and other benefits	*16.1*	**5,513,591**	1,922,210
Consultancy and professional charges		**4,475**	507,170
Travelling and related expenses		**84,523**	198,852
Printing, stationary and office supplies		**436,249**	132,458
Bank charges		**48,448**	38,576
Depreciation	*8*	**307,224**	37,664
Utilities		**202,403**	18,000
Repair and maintenance		**74,369**	12,925
Misc Expenses		**18,993**	24,181
Insurance expense		**11,379**	-
Entertainment charges		**91,586**	-
		6,793,240	2,892,036

16.1 This includes Rs. 0.26 million in respect of charge for staff retriement benefits.

17. WELFARE EXPENSES

	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 to 31 December 2011 (Rupees)
Payments in respect of deceased employees	**295,000**	500,000
Financial assistance to Askari Guards, employees and needy person	**594,500**	-
Funding for rehabilitation of flood affected areas	**10,000,000**	-
Sponsorship of students under LUMS's National outreach program	**1,200,000**	-
Funding for the provision of drinking water and development / improvement of infrastrucure in Jhampir	**2,300,000**	-
Compensation against natural calamities	-	120,000
Donation to:		
- Tameer-e-Millat Foundation (Olive Garden Project)	**1,300,000**	-
- Al-Mustafa Trust	**250,000**	-
- Shaukat Khanum Memorial Trust	**5,000,000**	-
- Jinnah Sports Complex, Sadiqabad	**2,000,000**	-
	22,939,500	620,000

FA on humanitarian grounds.

18. FINANCIAL INSTRUMENTS

The Foundation has exposures to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

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

The Foundation's risk management policies are established to identify and analyze the risks faced by the Foundation, 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 Foundation's activities. The Foundation, 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 Board of Trustees oversees how management monitors compliance with the Foundation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Foundation.

18.1 Credit risk

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's credit risk is primarily attributable to balances at banks. The Foundation believes that it is not exposed to major concentration of credit risk as the exposure is spread over a number of counter parties which are mainly banks with reasonable high credit ratings. The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2012 (Rupees)	2011 (Rupees)
Due from Fauji Fertilizer Company Limited	-	241,659
Short term investment	**27,175,888**	-
Other receivable	-	248,854
Bank balances	**217,680,043**	69,017,777
	244,855,931	69,508,290

Geographically there is no concentration of credit risk. As at the year end the Foundation's most significant receivable was with a Bank of Rs. 212.62 million (2011: Rs. 67.55 million). At the balance sheet date, management believes that no impairment allowance is necessary in respect of the Foundation's financial assets.

18.2 Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Foundation'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 Foundation's reputation. The Foundation uses different methods which assist it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Foundation 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.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
		(Rupees)		
2012				
Accrued and other liabilities	36,987	(36,987)	(36,987)	-
Due to Fauji Fertilizer Company Limited	1,073,517	(1,073,517)	(1,073,517)	-
	1,110,504	(1,110,504)	(1,110,504)	-
2011				
Accrued and other liabilities	815,283	(815,283)	(815,283)	-
Due to Fauji Fertilizer Company Limited	-	-	-	-
	815,283	(815,283)	(815,283)	-

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

18.3 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 Foundation incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Foundation is not significantly exposed to market risk.

18.4 Fair value hierarchy

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

18.5 Determination of fair values

A number of the Foundation'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:

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.

However since these assets and liabilities are due to be settled within one year, the fair value is approximate to their carrying values.

19. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of trustees, key management personnel and entity with significant influence over the Foundation. Transactions with related party are as follows:

	Year ended 31 December 2012 (Rupees)	For the period from 4 May 2011 to 31 December 2011 (Rupees)
Entity with significant influence over the Foundation		
Funds received during the year / period	**146,145,472**	60,000,000
Services provided during the year / period	**253,312,685**	73,678,365
Payments made during the year / period	**53,460**	-
Amount paid for onward distribution to flood affectees	**10,000,000**	-

20. GENERAL

These financial statements were approved by the Board of Trustees of the Foundation in their meeting held on 08 MAY 2013

Trustee
CHIEF OPERATING OFFICER

Trustee
CHAIRMAN