

GREEN TO GOLD

Turning new chapters of
Progress & Sustainability

About this Report

The FFBL Annual Report 2021 (the Report) integrates the following sections:

- Company Overview
- Chairman and Chief Executive's Reviews
- Directors' Report
- Chairman Audit Committee Report
- Statement of Compliance with CCG
- Standalone Financial Statements
- Consolidated Financial Statements
- Shareholders' Information

The Report is structured to assist our readers in assessing our business by providing information about state of affairs, performance and the outlook of FFBL. It fairly addresses the material matters pertaining to the long term sustainability of the Company and its integrated performance. This Report comprises of strategic and operational review by the Board of Directors which encompasses financial reviews and analyses, overview of governance, risk management and internal control frameworks. 'Navigating through this Report' given on page 4 shall further facilitate the reader in comprehending

this Report. Our value creating business model supported by the outputs, outcomes and impacts of various forms of capitals associated with business activities, and how we look forward towards business opportunities, has also been explained. The Board has endorsed and authorized the release of their report on January 26, 2022.

Scope and Boundary

Our Report covers the period from January 1, 2021 to December 31, 2021 and subsequent events up to the issuance of this report have also been explained in various sections of the Report. Operational and financial analyses and reviews are carried out by extracting financial information from the Audited Financial Statements for the year ended December 31, 2021 with relevant comparative information. The Financial Statements consistently comply with the requirements of:

- International Financial Reporting Standards (IFRS)

- Companies Act, 2017 and other applicable regulations

Chairman's Review, Directors' Report, Audit Committee's Report, Report on Compliance of Code of Corporate Governance (CCG), and other information contained in this Report have been structured in compliance with the requirements of Companies Act 2017, CCG, Listing Regulations of the Pakistan Stock Exchange (PSX) and other local and international good governance practices as promoted by ICAP / ICMAP, and PSX etc.

Forward Looking Statement

This Report includes 'Forward Looking Statement' which addresses our expected future business and financial performance / condition, sources of information and assumption used for projections / forecasts and our future course of action to manage the risks and capitalize on opportunities (known and unknown). Such statements are valid only for the date of publication.

External Assurances / Reviews

Description of the Report	External Reviews / Assurances
Review Report on the Statement of Compliance with the Code of Corporate Governance	EY Ford Rhodes
Independent Auditor's Report on the Audit of Financial Statements	EY Ford Rhodes
Independent Auditor's Report on the Audit of Consolidated Financial Statements	EY Ford Rhodes
Entity Credit Rating	VIS Credit Rating Company Limited



Vision

To be an inspiring business, transforming opportunities into sustainable realities.

Mission

Ensure business sustainability with sharp focus on people development, growth and stakeholder value, thus contributing towards food security and group's CSR efforts.



Navigating through this Report

The key objective of this Report is to provide a comprehensive information about our Company, driven through a robust business model that illustrates our strategies to create value for the stakeholders in the long run while managing key risks and capitalizing on opportunities.

Navigating through this Report will assist the reader to understand and address following key questions:

Core Question	Where to Look	Page No.
Organizational overview and external environment		
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Core Question	Where to Look	Page No.
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Company Overview

General information about the Company
and its operations

A vertical decorative graphic on the right side of the table of contents, consisting of a series of stylized, overlapping leaf shapes arranged in a column.

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Product Portfolio

The principal activity of the Company is manufacturing and marketing of fertilizer. The Company has also made investments in numerous other projects related to power generation, food and dairy products processing, financial services and production of other chemicals.

Fertilizers provide essential elements for nourishment, development and growth of plant as well as grain or fruit. FFBL produces and markets following two fertilizers under the brand name of SONA (meaning Gold);

- SONA DAP
- SONA Urea (Granular)

Sona DAP

Agricultural Use

Di-Ammonium Phosphate (DAP) is the most concentrated phosphatic fertilizer which contains both Phosphorus (P) and Nitrogen (N) which are primary nutrient for plant nourishment. DAP belongs to a series of water-soluble ammonium phosphates that is produced through a reaction of ammonia and phosphoric acid. Whereas, ammonia is compound of nitrogen and hydrogen.

Phosphorus to Nitrogen ratio in SONA DAP is 46:18 and it is produced in free-flowing granular form. Granules are stronger, harder and of uniform size and being non-hygroscopic, it stores well even in high rainfall areas.

It is essential for plants to build a healthy root system as well as in providing the energy required to extract nutrients from the soil. It helps plant to capture and transform the sun's energy into chemical energy (photosynthesis)

and ensures optimal growth and maturity of plant as well as its grain or fruit. Furthermore, as basal DAP application, accompanying nitrogen content also meets the early stage nitrogen requirements of crop plants.

The solubility of SONA DAP is more than 90%, which is the highest among the phosphatic fertilizers available in the Country; due to which it can also be applied post planting through fertigation. DAP goes through chemical reactions with a net acidic effect, after its application in soil, making it the most suitable phosphatic fertilizer for farmlands in Pakistan.

FFBL is the sole producer of DAP in Pakistan.

Industrial Use

It is also used as Fire retardant in commercial fire fighting products, metal finisher, yeast nutrient and sugar purifier.



Sona Urea Granular

Agricultural Use

SONA Urea is a concentrated straight nitrogenous fertilizer that contains 46% nitrogen in ammoniacal form, which is an essential plant nutrient for formation of vital proteins.

Nitrogen is an integral part of chlorophyll, which is necessary for the photosynthesis. Urea is applied in splits (basal & top-dressing) to promote growth of crops and orchards.

SONA Urea is produced in the form of white solid granules and has the added advantage of ease in application on standing crops due to bigger size granules.

Being hygroscopic, Urea is packed in moisture proof High Density Polyethylene (HDPE) liners in addition to Woven Polypropylene (WPP) bags.

In irrigated areas, urea is applied (top dressed) in the standing

crop followed by irrigation to minimize gaseous losses as ammonia volatilization occurs.

In rain fed areas, it is often spread just before rain or after rains to minimize gaseous as well as runoff losses.

Industrial Use

Raw material for manufacturing of plastics, adhesives and industrial feedstock.

Product Portfolio

Dairy

Fauji Foods Limited (FFL)

Considering the importance of healthy food production, scarcity and demand in market, FFL has continued to engage in processing and marketing of high quality dairy products. These brands include the House of Nurpur, a range filled with top line dairy products. Nurpur's portfolio of brands ensures quality and nourishment to our consumers. In addition, FFL is also engaged in tea creamer category providing the Pakistani consumer with a leading brand i.e. DOSTEA.

Food Quality and sustainability are high priorities level set by the company in order to maximize sustainable achievements.

Meat

Fauji Meat Limited (FML)

FML is catering to fulfill meat demand by offering chilled, frozen, bone in and de-boned / boneless products.



Power

FFBL Power Company Limited (FPCL)

A coal fired power generation project having gross capacity of 118 MW.

FPCL supplies reliable and uninterrupted electricity to FFBL and K-Electric. FPCL is contributing towards economic growth of Pakistan and is lighting our houses since it's start of operations in 2017.

A photograph of the FFBL Tower, a modern multi-story building with a light-colored facade and large glass windows. The FFBL logo is prominently displayed on the upper part of the building. The sky is blue with some clouds.

Company Information

Board of Directors

Mr Waqar Ahmed Malik - Chairman
Mr Arif-ur-Rehman - CEO
Mr Sarfaraz Ahmed Rehman
Dr Nadeem Inayat
Mr Qamar Haris Manzoor
Mr Mohammad Munir Malik
Mr Rehan Ahmed
Syed Bakhtiyar Kazmi
Syed Khalid Siraj Subhani
Mr Moez ur Rehman
Ms Pouruchisty Sidhwa
Ms Saira Nasir

Company Secretary

Brig Asif Ali, SI(M), (Retd)

Chief Financial Officer

Mr Muhammad Javed Akhtar

Registered Office:

FFBL Tower, C1/C2, Sector B,
Jinnah Boulevard, Phase II, DHA, Islamabad.
Tel: +92 51 8763325,
Fax : +92 51 8763304-05
E-mail : secretary@ffbl.com
Web Presence: www.ffbl.com

Plant Site:

Plot No. EZ/II/P-1, Eastern Zone,
Port Qasim, Karachi 75020.
Tel: +92 21 34724500-29,
Fax : +92 21 34750704
Email : information@ffbl.com

Shares Registrar:

M/s Corplink (Pvt) Limited,
Wings Arcade, 1-K Commercial,
Model Town, Lahore.
Tel: +92 42 35839182, +92 42 35916719
Fax: +92 42 35869037

Auditors:

M/s EY Ford Rhodes,
Eagle Plaza, 75 West, Fazal-e-Haq Road,
Blue Area, Islamabad.

Legal Advisors:

M/s Orr Dignam & Co Advocates,
Marina Heights, 2nd Floor, 109 East,
Jinnah Avenue, Blue Area, Islamabad.



Legislative & Regulatory Environment

The Company operates in highly sensitive market as its products ultimately contribute in meeting nutrition requirements and national food security of Pakistan.

The Government regularly monitors the production, sales as well as costs and selling price trends for timely and effective decision making. Moreover, FFBL, being a law-abiding corporate citizen and listed on stock exchange, is required to comply with the national laws with respect to its governance, transactions and activities.

How we evolved

1993

- Incorporation of the Company

1996

- Listed with Karachi, Lahore and Islamabad Stock Exchanges

2000

- Commencement of commercial production

2003

- Successful commissioning of Desulphurisation Project
- Agreement with Office Cherifien des Phosphates' (OCP), Morocco for supply of raw material Phosphoric Acid (P_2O_5)

2005

- Incorporated PMP as a joint venture with OCP (to secure reliable supply of Phosphoric acid)

2006

- Achieved ISO Certification in QMS (9001:2000), EMS (14001:2004) and OHSAS (18001:1999)

2007

- Successful completion of Ammonia BMR resulting in increased production of Ammonia by 23% from 1,270 MT to 1,570 MT and Urea by 15% from 1,670 MT to 1,920 MT per day

2008

- DAP Revamp resulting in increase production by 51% from 1,472 MT to 2,232 MT per day
- Start of PMP's commercial production and shipment to FFBL in April 2008 and May 2008 respectively
- Investment in Fauji Cement Company Limited

2010

- Investment in Wind Power Projects
- Successful implementation of SAP-ERP system.

2011

- Rewarding year for FFBL, exhibiting highest standards of performance, surpassing all previous records
- PMP production increased to 382 KT of P_2O_5 (surpassing the name plate capacity of 375 KT in any year)

2013

- Incorporation of Fauji Meat Limited and Fauji Foods Limited
- Investment in Askari Bank Limited
- Highest ever DAP production of 744,436 MT

2014

- Incorporation of FFBL Power Company Limited
- Received two awards in Corporate Social Responsibility
- Bronze Medal in ERP from SAP, Germany
- Highest ever DAP production of 72,390 MT in a month

2015

- Highest ever yearly DAP production of 768,004 MT
- Highest ever daily DAP production of 2,461 MT on December 19, 2015
- Highest ever monthly sale of DAP 223,186 MT in October 2015
- Highest ever yearly production of 429,398 MT of phosphoric acid by PMP

2016

- Highest ever yearly DAP production of 791,256 MT
- Highest ever yearly DAP sales of 790,622 MT
- SAP Bronze Medal Customer COE of the Year Award 2016, Berlin Germany

2017

- Start of commercial production by FPCL
- Record yearly DAP production of 808,808 MT
- Record monthly DAP production of 74,500 MT
- Highest ever daily DAP production of 2,513 MT
- Highest ever Sona DAP sales of 831,173 MT

2018

- Achieved highest daily DAP production of 2,523 MT on 7 August, 2018
- Highest ever monthly DAP production of 75,494 MT in August, 2018
- Highest ever monthly Ammonia production of 49,834 MT in August, 2018

2019

- Highest ever yearly DAP production of 830,696 MT
- Highest ever monthly DAP production of 76,595 MT in July 2019
- 5th International Award in category of "Environment, Health & Safety Performance"

2020

- Highest ever yearly DAP sales of 926,273 MT
- Highest ever daily DAP production of 2,533 MT on October 14, 2020
- 6th International Award in category of "Environment, Health & Safety Performance"
- Disposal of investment in Fauji Cement Company Limited by selling in open market

2021

- Crossed PKR 100 billion sales revenue hallmark
- Successfully completed sale of equity investment in Wind power projects
- Achieved 42% DAP market share
- Achieved highest daily DAP production of 2,552 MT on 31 March 2021
- Highest ever monthly Ammonia production of 50,875 MT in March, 2021



Core Values



Innovation

We encourage innovative practices that help set us apart in the marketplace by challenging convention, we hope to create greater value for our stakeholders.



Teamwork

We believe that through collaboration with partners that come from diverse cultures, we are better able to grow and achieve success.



Perseverance

We create an environment that encourages everyone to perform to the best of their abilities to achieve the goals they have set out.



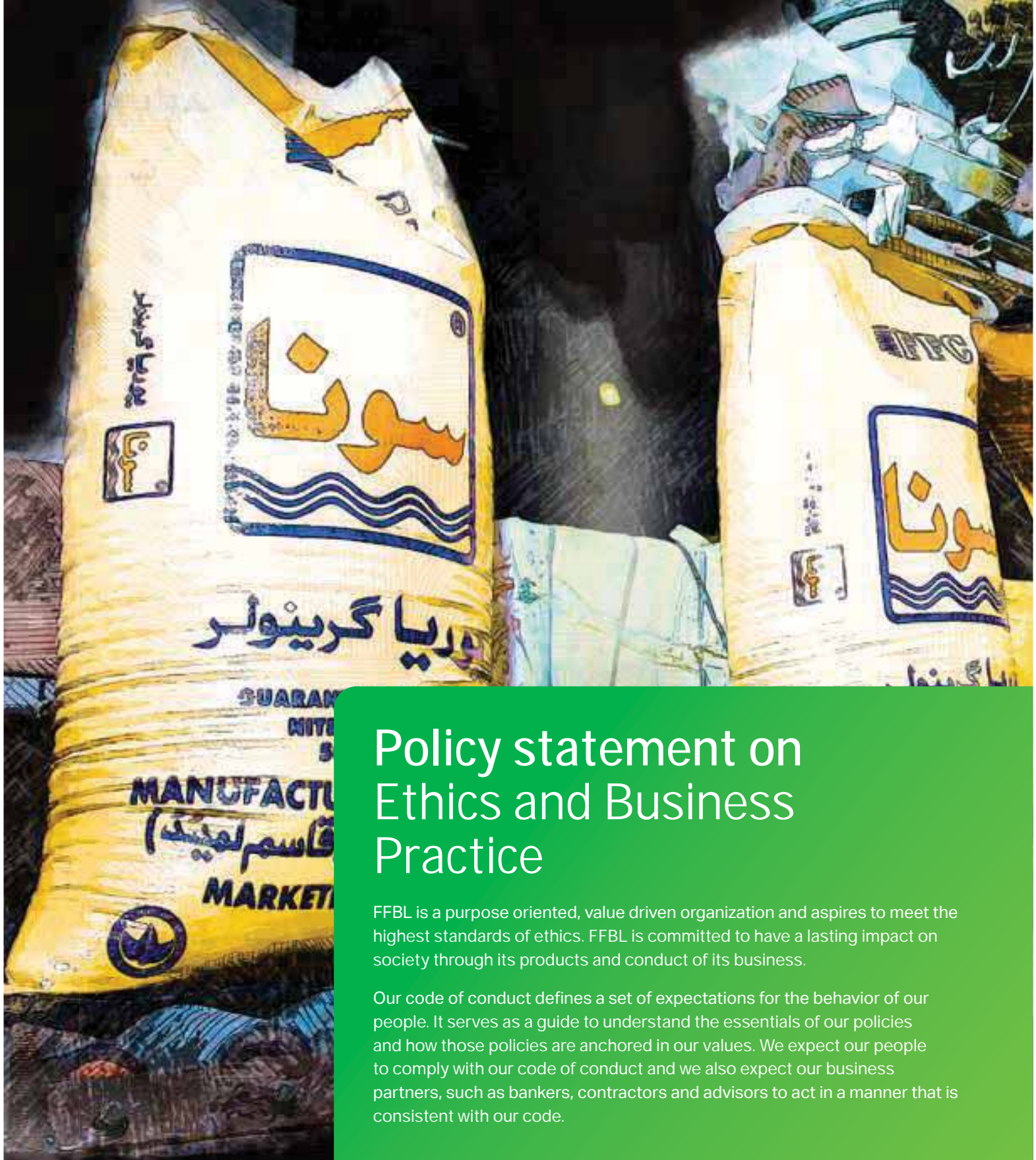
Diversity

We believe that by embracing diversity, with a country as ethnically diverse as Pakistan, we can add new perspectives that help us shape the marketplace and better serve the needs of our stakeholders.



Empowerment

We empower people so that they have the confidence to achieve greatness. We believe in delegating the right tools needed for everyone to achieve their goals, regardless of race or gender.



Policy statement on Ethics and Business Practice

FFBL is a purpose oriented, value driven organization and aspires to meet the highest standards of ethics. FFBL is committed to have a lasting impact on society through its products and conduct of its business.

Our code of conduct defines a set of expectations for the behavior of our people. It serves as a guide to understand the essentials of our policies and how those policies are anchored in our values. We expect our people to comply with our code of conduct and we also expect our business partners, such as bankers, contractors and advisors to act in a manner that is consistent with our code.

Code of Conduct



1

Corporate Image

Company's reputation and identity are among the Company's most valuable assets.



2

Health and Safety

We are all responsible for maintaining a safe workplace by following health and safety rules and practices.



3

Confidentiality

Every employee is obligated to protect the Company's confidential information, which is proprietary to the Company.



4

Stakeholders

Stakeholders are valuable equal partners for us with whom a long term, fair and trustworthy relationship is built.



5

Respect for People and Team Work

We are dedicated through dignity and respect, owe nothing less to each other. We know it well that none of us acting alone can achieve success.



6

Integrity and Honesty

We earn trust from everyone by maintaining the highest level of corporate integrity through open, honest and fair dealings.



7

Dedication to Quality

Our quality policy is an integral part of our business philosophy and we are committed to provide total customer satisfaction.



8

Legal Compliance

The Company's activities and operations are carried out in strict compliance with all applicable laws and the highest ethical standards.



9

Unauthorized Use of Corporate Assets

Every employee is obligated to protect the assets of the Company.



10

Conflict of Interest

All employees must avoid any personal or business influences that affect their ability to act in the best interests of the Company.



11

Corporate Records

Documents and records of the Company are part of the Company's assets and employees are entrusted with maintaining their accuracy and safety.

Geographical Presence



FFBL Investments



FPCL

FPCL owns and operates a coal based power generation facility at Port Qasim Karachi with a net capacity of 103 MW (Gross Capacity of 118 MW). FPCL achieved its commercial operations date (COD) on 19 May 2017.

FML

Built with the aim and capacity to provide 100 percent certified halal meat, was incorporated in 2013 as a subsidiary of the Company. COD was achieved on April 2, 2016. FFBL holds 90.18 percent shares of FML.

FFL

Fauji Foods Limited, a majority owned Company of FFBL (71.63 percent shareholding) is engaged in processing, marketing and sale of products including Milk, Cheese, Butter, Tea Whitener, Chocolate Dip, Jams, Marmalade and Fruit Drinks. The Company's brand 'Nurpur' is one of the oldest and highly recognizable brand in Pakistan

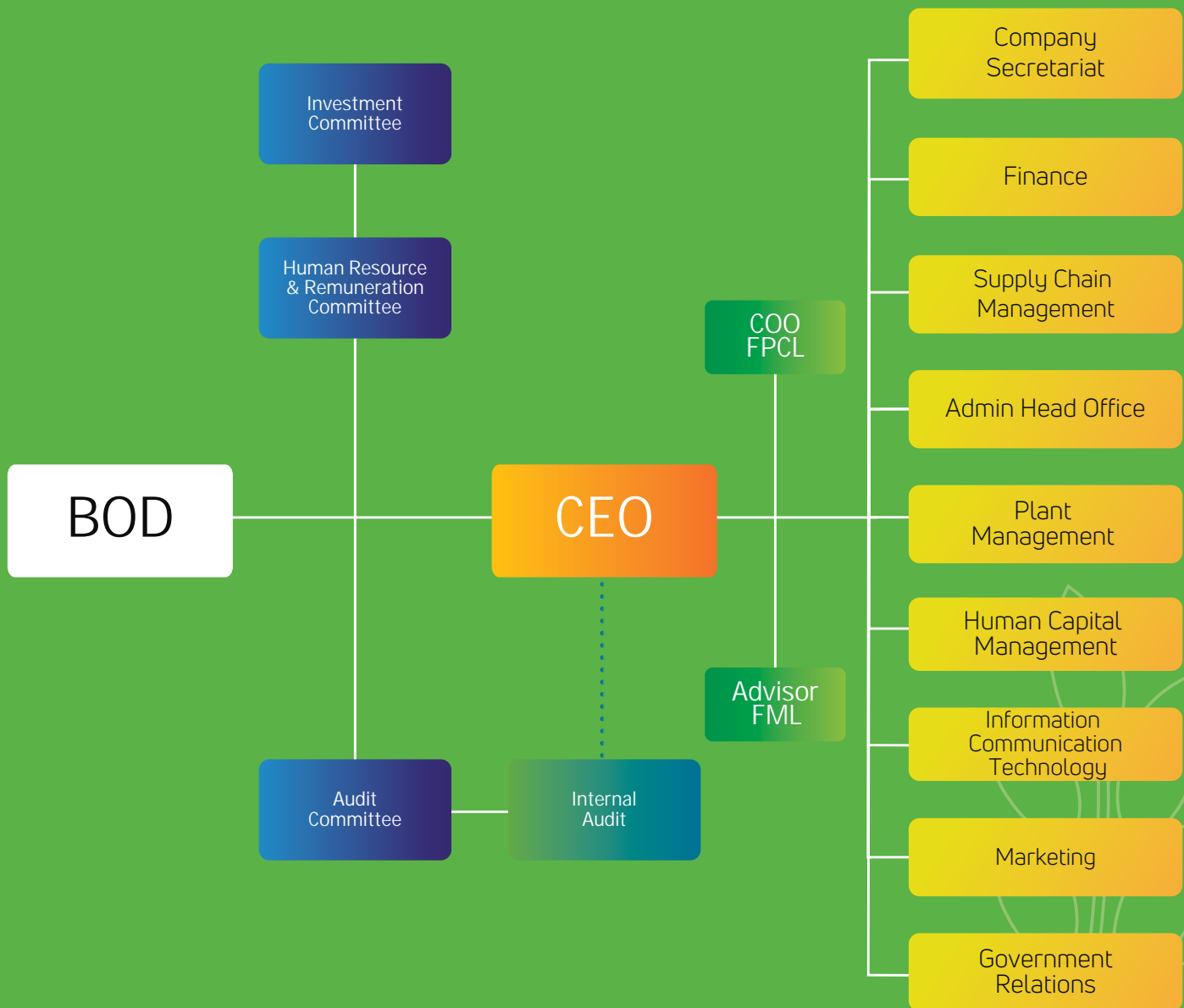
AKBL

Askari Bank's branch footprint comprises 559 branches, including 101 Islamic Banking Branches, a Wholesale Banking Branch in Bahrain and a representative office in Beijing, China. Every year FFBL earns dividend income from investment in AKBL and show diversification into different sector by the company.

PMP

Pakistan Maroc Phosphore S.A. Morocco (PMP) is a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco to manufacture phosphoric acid primarily for the Company, and to market additional production. Total capacity of PMP is 375KT per year. Total cost of the project is 250 million USD with FFBL's share of 25%.

Company Structure / Organogram



Number of Employees



Value Creation Business Model

Our value creation business model and process shows how we take in value, use our manufacturing facilities, people, systems and relationships to create additional value for our shareholders, employees, and other stakeholders.

Highlights for the Year

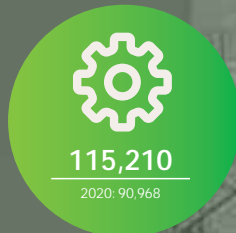
Sales Revenue
(PKR Million)



Profit After Tax
(PKR Million)



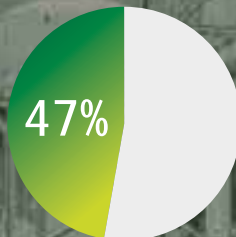
Total Assets
(PKR Million)



Earning Per Share



Urea



501,136 MT
2020: 559,332 MT

501,236 MT
2020: 558,932 MT

Market share
Combined Share of
FFBL and FFC

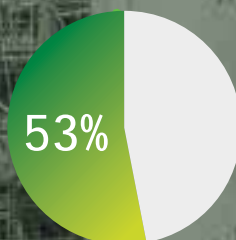


Sales



Production

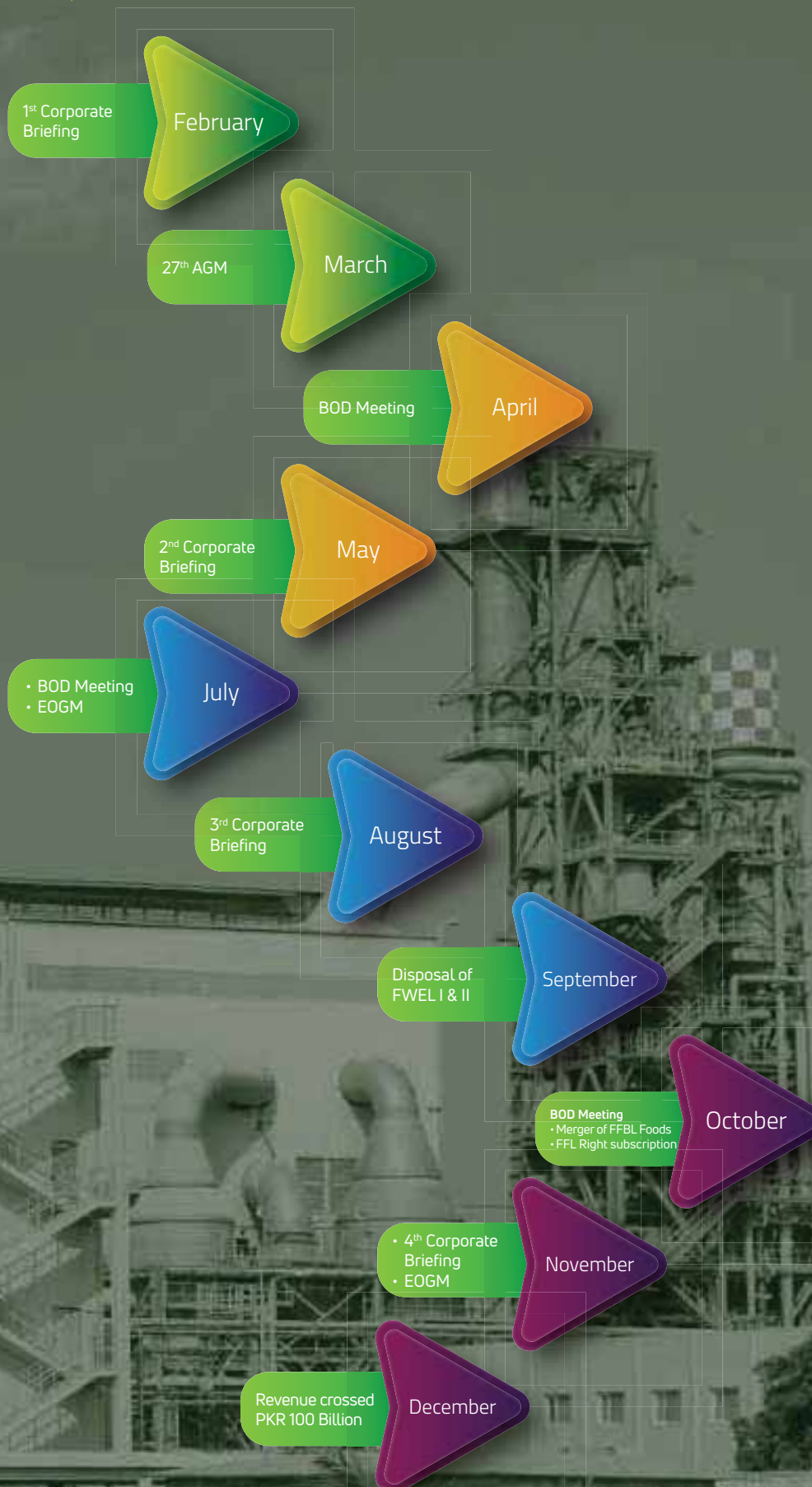
DAP




790,196 MT
2020: 926,273 MT

790,415 MT
2020: 736,968 MT

Major Events Calendar



 **1st Quarter**
Jan - March

 **2nd Quarter**
Apr - June

 **3rd Quarter**
July - Sep

 **4th Quarter**
Oct - Dec

Objectives and Strategies

FFBL strives to have a unique, positive and lasting impact on the society as well as its own people. We live up to mission of being a reliable partner in national food security as well as our in group's corporate social reasonability efforts. Accordingly, we have finely calibrated our corporate objectives and strategies with our mission.

	1	2
	Market share	Business processes
Strategy	<ul style="list-style-type: none"> Allocate resources to sustain market share in fertilizer market through quality products and enhanced interaction with dealers/ farmers. 	<p>Identify and implement synergies among business and function units and processes at organization and group level for optimization of existing business operations.</p>
Nature	Medium term and long term	Short term, medium term and long term
Priority	High	High
Resource allocated	Human capital, financial capital and manufactured capital.	Human capital and financial capital.
Key Performance Indicator	Production, Sales and Market Share	Synergies identified, implemented and efficiencies achieved
Status	Evaluation of option for increasing productivity without compromising quality and securing reliable supply of raw material.	It is an on-going process.
Future relevance of KPI	KPI will remain relevant in future.	KPI will remain relevant in future.
Opportunities / Threats	<ul style="list-style-type: none"> Increasing nutrition requirement and fertilizer's role in better farm economics is driving fertilizer demand. Fertilizer market's competitive environment, growing conditions, availability of natural gas (feed stock), supply chain disruptions pose a level of uncertainty. 	<p>Diverse business units within FFBL and business functions across group necessitate optimization of processes as well as identifying, quantifying and capturing synergies.</p>

3

Investments

Pro-actively manage existing and new investments and position portfolio to derive long term value and growth.

Short term and medium term

High

Financial Capital.

ROI and Dividend from investments

It is an on-going process.

The KPI will remain relevant in future.

Dynamic business environment warrants evaluation of existing position and new opportunities for capital shift to more profitable, strategic and growing sectors prudently.

4

Organization purpose and value

Strive to achieve organization purpose with a culture that nurtures innovation, agility and perseverance among our people.

Long Term

High

Human capital, social and relationship capital.

Employee Engagement

System is being reinforced to promote a culture of innovation.

The KPI will remain relevant in future.

Engaged employee shall deliver increased productivity and FFBL shall be able to leave a positive and lasting impact on society through its products.

5

Corporate Social Responsibility

Demonstrate sustainable social, environmental and corporate governance commitment through devising/ adopting a framework for its implementation, measurement, monitoring and improvement.

Long Term

High

Human capital, financial capital, social and relationship capital and natural capital.

Commitments achieved

Evaluating policies and system to achieve the desired goals.

The KPI will remain relevant in future.

FFBL's commitment to sustainable environmental, social and corporate governance is the key to its established name in the agricultural and industrial sector.

Board's Profile



Mr Waqar Ahmed Malik

Chairman

Mr Malik's corporate and business experience spans over 30 years across three continents. Mr Malik is a fellow of the Institute of Chartered Accountants in England and Wales and is also an alumnus of the Harvard Business School and INSEAD.

Earlier, his career with The ICI Plc Group based in the UK spanned over 27 years and then later with Akzo Nobel N.V. based in The Netherlands. He has also been the Chief Executive Officer of ICI Pakistan Limited and the Chief Executive Officer and Chairman of Lotte Pakistan Limited (formerly Pakistan PTA Limited). During his career with ICI and Akzo Nobel, he worked in Europe and Americas' in Corporate Finance and Strategy.

Mr Waqar Ahmed Malik joined Fauji Foundation as Managing Director and Chief Executive Officer on 9th April 2020.

Presently, he is serving as Chairman on the Boards of following Fauji Group Companies:-

- Mari Petroleum Company Ltd
- FFC Energy Ltd
- Fauji Fertilizer Company Ltd
- Foundation Wind Energy-I & II Ltd
- Fauji Fertilizer Bin Qasim Ltd
- Foundation Power Company Daharki Ltd
- Fauji Cement Company Ltd
- Fauji Kabir Wala Power Company Ltd
- Askari Cement Ltd
- FFBL Power Company Ltd
- Fauji Akbar Portia Marine Terminal Ltd
- Fauji Oil Terminal & Distribution Company Ltd
- Daharki Power Holdings Ltd
- Fauji Trans Terminal Ltd
- Fauji Fresh n Freeze Ltd
- Askari Bank Ltd
- Fauji Infraavest Foods Ltd

He is also Chairman of Pakistan Oxygen Limited (formally Linde Pakistan, a subsidiary of Linde AG) acquired by Adira Capital Holdings (Private) that he co-founded.

Mr Malik is a non-executive Member of the Board of JAZZ Pakistan which is a subsidiary of Veon Limited, as well as non-executive Director of Rafhan Maize.

Earlier, Mr Malik also served on the following prestigious boards:-

- Engro Corporation Limited – Director (Non-Executive & Independent)
- Standard Chartered Bank Pakistan Limited – Director (Non-Executive & Independent)

He played an instrumental role in development of Pakistan's Regulatory System as well as for the advocacy to undertake economic reforms. Earlier he served as:-

- Director – State Bank of Pakistan (Central Bank of Pakistan)
- President – Overseas Chamber of Commerce & Industry (OICCI)
- President – Management Association of Pakistan (MAP)
- Director – Pakistan Business Council (PBC)

Mr Malik is a member of the visiting faculty of Pakistan Institute of Corporate Governance, Former Member of Board of Governors of Lahore University of Management Science (LUMS) and Former Member of Board of Indus Valley School of Arts.

He participates actively in social and philanthropic activities through "I – Care" Foundation, as a Trustee, where he contributes to improve the quality of life of underprivileged by enhancing the level of philanthropic support.

A trustee of Duke of Edinburgh Trust Pakistan, he was awarded Prince of Wales Medal as a Trustee of the Prince of Wales Pakistan Recovery for the Flood Victims in 2010.



Mr Arif ur Rehman

Chief Executive Officer

Since 10 October 2021, Mr Arif ur Rehman is serving as Chief Executive Officer of Fauji Fertilizer Bin Qasim Limited, FFBL Power Company Limited and Fauji Meat Limited. He is also on Board of Directors of Fauji Foods Limited, Askari Bank Limited and Pakistan Maroc Phosphore S.A.

In July 2016 he was appointed Chief Manufacturing Officer, based at the Head Office in Lahore with responsibility for all aspects of manufacturing for the Fatima Group's three Fertilizer Manufacturing facilities, Fatima Fertilizers, Sadiqabad; Pak Arab Fertilizer Company, Multan and Fatima Fertilizers, Lahore (Ex Dawood Hercules). He had responsibility for Operations, Costs, Budgets and People aspects for all Fertilizers. In addition, he was also responsible for the Supply Chain Function for the entire group where he controlled the budget of about USD 200 Million per year, growth, sustainability and strategy of the FG; Fertilizer Business.

In 2007 he joined the Fatima Group as Project Director and led the USD 750 Million Project from ground breaking till its commissioning. This was a green field project comprising of Ammonia, Urea, NP, CAN, Nitric Acid, Utilities and related facilities. One of the salient features of the job was that it was a self-managed EPC Project. Arif was engaged with dozens of international contractors directly and completed the project successfully in 2011. After the commissioning of the project Arif was appointed its Director Operations. In that role he brought the site to its full potential by a series of revamps that included the plants and organizational and systems improvement. As a result the production increased from 0.8 to 1,475 Million tons per year and the bottom line improved from -PKR 2.0 Billion to +10 Billion.

In 1996, he joined ICI Pakistan's PTA Business, which was the first and is still the only PTA plant in Pakistan with new technology. He worked as the commissioning leader for the most complex, Oxidation Plant. Later on he led all the remaining sections of the PTA plant (Purification and Utilities) and took over as the first local Production Manager for the PTA Business in 2001. He also worked as Technical Services & DBN Manager and was appointed as Site Operations Manager in 2005, where he was responsible for Operations, Maintenance, Inspection and Materials Management.

Mr Arif started his professional career from Fauji Fertilizer Company Limited (FFC) where he initially worked as Process Engineer in the Ammonia, Urea and Utilities plants. Later on he worked as Process Engineering In-charge, Operations Engineer-Ammonia and Ammonia DBN Commissioning Engineer. In mid-1994, his services were transferred to FJFC (now FFBL) project team. He worked at FJFC for about 3 years and was a part of the multidisciplinary team that developed the FJFC Project from inception to firm order placement. He led the engineering and improvement of the Ammonia Plant. For that project he remained in USA for about a year as Ammonia Plant Lead.

Board's Profile



Mr Sarfaraz Ahmed Rehman

Non-Executive Director

Mr Sarfaraz, a chartered accountant by qualification, has contributed management expertise to several multinational companies such as Unilever, SB (GSK), Jardine Matheson / Olayan JV and PepsiCo during his varied career.

In 2005, Mr Sarfaraz established Engro Foods as its CEO. The company grew from a green-field to become the leading liquid dairy company in Pakistan. Engro Foods became the only Pakistani company to receive the 'G20 Top 15 Company' award. In 2012, he took a sabbatical from Engro Foods to establish the Karachi School for Business and Leadership. Sarfaraz rejoined Engro Foods as CEO in 2013, where he remained till 2015. Engro Foods sold 50% of its shares to Royal Friesland Campina for half a billion dollars in 2015. At the time this was the biggest private foreign investment in Pakistan's history.

Since Oct 2015, he has been involved in consultancy projects, among others with ICI, IBL, JSPE, Shan Foods, Al-Shaheer (Meat One), Soya Supreme, Burque Corp, CCL and ITL.

Mr Sarfaraz was contracted to Grant Thornton for 2016-17 as an executive coach during a culture change project at UBL. He conducted a well-established coaching / mentoring role, with business executives and university graduates. Mr Sarfaraz has coached for Careem, Gatron-Novatex, Engro, ICI, Descon, PPL, UBL and City School.

Mr Sarfaraz was Chairman of the Broadcasters / Advertisers Council 2015-18 (joint body controlling advertising in Pakistan). Further, he was the Chairman of the 1st Effie Awards in Pakistan, in 2019. He was on the Board of MAP and is on the Board of Patient Aid Foundation.

Additionally, Mr Sarfaraz speaks at various forums. He has given motivational talks at Lays, Mondelez, Nutrico, RB, Engro, Octara, ICI, Shell, MAP etc. At universities, colleges, schools and on media occasions he holds climate change talks / sessions to create awareness.

Mr Sarfaraz is deeply interested in playing his part in giving back to society and has worked on an online interactive education model for mass education, to resolve the issue of literacy in Pakistan over the next decade. In the past he was associated with Shaukat Khanum Hospital as a member of the Board of Governors and with WWF as a Director. He is also associated with Hisaar Foundation and its work on water / environmental issues in Pakistan.

Mr. Sarfaraz Ahmed Rehman was appointed as Managing Director & Chief Executive Officer of FFBL, FPCL and FML from June 2020 to Sep 2021. He assumed the charge as Managing Director and Chief Executive Officer of FFC since October 2021.

He is also on Board of following entities:

- Fauji Fertilizer Bin Qasim Ltd
- Askari Bank Ltd
- Fauji Foods Ltd
- Uniliver Pakistan Foods Ltd
- Fauji Fresh n Freeze Ltd
- FFC Energy Ltd
- OLIVE Technical Services (Private) Ltd
- Foundation Wind Energy - I Ltd
- Foundation Wind Energy - II Ltd
- Thar Energy Ltd
- Fauji Meat Ltd
- FFBL Power Company Ltd
- Pakistan Maroc Phosphore SA
- Hisaar Foundation
- Patients Aid Foundation
- International Packaging Films Ltd (IPAK)
- National Disaster & Risk Management Fund
- International Fertilizer Association (IFA)



Dr Nadeem Inayat

Non-Executive Director

Dr Nadeem Inayat holds Doctorate in Economics and has over 37 years of diversified experience in the corporate sector with a focus on corporate governance, policy formulation, project appraisal, implementation, monitoring & evaluation, restructuring, mergers and acquisitions. He has conducted various academic courses on Economics, International Trade and Finance at reputable institutions of higher education in Pakistan. He is a member of Pakistan Institute of Development Economics (PIDE).

He is on the Boards of following entities:

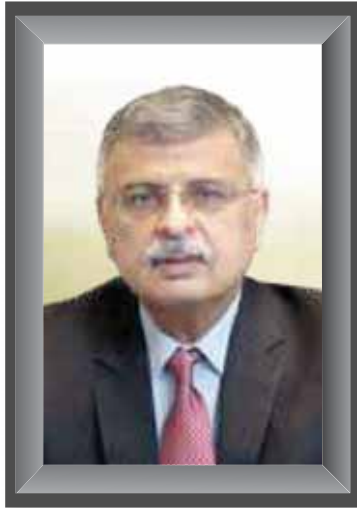
Public Listed Companies

- Fauji Fertilizer Company Ltd
- Fauji Fertilizer Bin Qasim Ltd
- Askari Bank Ltd
- Mari Petroleum Company Ltd
- Fauji Foods Ltd
- Hub Power Company Ltd
- Fauji Cement Company Ltd

Non-Listed Companies

- Pakistan Maroc Phosphore, S.A Morocco
- Fauji Oil Terminal & Distribution Company Ltd
- Fauji Trans Terminal Ltd
- FFBL Power Company Ltd
- Fauji Meat Ltd
- Fauji Akbar Portia Marine Terminals Ltd
- Fauji Infraavest Foods Ltd
- Fauji Kabirwala Power Company Ltd
- Foundation Power Company Daharki Ltd
- Daharki Power Holding Ltd
- Fauji Fresh n Freeze Ltd
- Askari Cement Ltd
- Foundation Wind Energy - I Ltd
- Foundation Wind Energy - II Ltd

Board's Profile



Mr Qamar Haris Manzoor

Non-Executive Director

Qamar Haris Manzoor has done his Masters in Chemical Engineering from US and holds over 37 years of experience in plant and project management. He started his career with ICI managing its Soda Ash Plant operations. He also worked on ICI's polyester plant in Pakistan in the Plant Operations. He also worked at ICI's PTA Plant as Director Manufacturing and managed various aspects of plant i.e. from Commissioning, Operations Management, Process Engineering, Project Engineering, HSE and other improvement projects. He has also been a technical advisor of Lotte for its growth strategies in Pakistan and contributed in setting up 48MW Cogen Plant at Lotte's PTA Plant. He also held senior positions in Operation at Exxon Chemical Pakistan Ltd at their Fertilizer Plant.

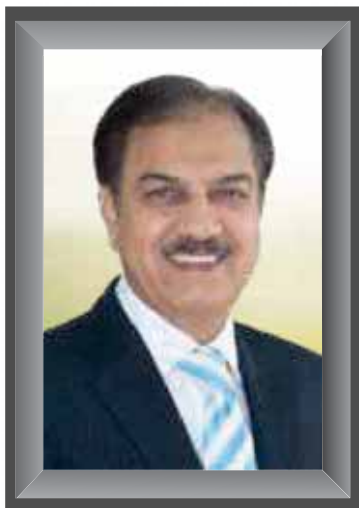
He then took over the role of Chief Executive Officer of El Paso Technology Pakistan Ltd and Chief Operating Officer of Habibullah Coastal Power Company. HABIBULLAH COASTAL POWER COMPANY (HCPC) is located in Quetta, Baluchistan, HCPC operates a combined cycle gas fired power plant with a design capacity of 140 MW Gross and Net Dependable capacity of 129 MW. The plant is in operation since 1999. EL PASO TECHNOLOGY PAKISTAN LIMITED (EPTP) provides technical and managerial services to HCPC and also are the Operations and Maintenance Contractors of HCPC. EPTP also is responsible to Identify opportunities for growth in Power and Chemical sectors. This requires carrying out market studies, due diligence both financial and technical and presenting it to shareholders. He was also responsible to manage relationships with Government, regulators. Lenders and stakeholders to ensure smooth function of the business.

He also took the additional responsibility of Chief Executive Officer of Hawa Energy Limited, a 50 MW wind project. He successfully concluded the key contracts for the project and maintained liaison with regulators and relevant ministries/ government bodies to ensure timely approvals for the project to achieve FC on time. Subsequently, he oversaw the project construction to ensure it's on cost and on time delivery.

He also worked as Chief Operating Officer of Naveena Group's Energy and Steel Projects. He played a leadership role to develop a green field project under the name of Naveena Steel Mills (Pvt) Ltd for a 300,000 TPA steel rebar plant at Port Qasim, Karachi. The project was completed in a record time of 20 months and has been fully commissioned. He also led the Lakeside Energy Pvt Ltd a 50 MW wind project at Jhampir, Sindh, and was responsible to achieve financial close of the project along with securing the required regulatory approvals and conclusion of EPC contracts.

He took over as MD and CEO of Fauji Cement and Askari Cement in June 2020 and is responsible to spearhead Cement portfolio of Fauji Foundation.

He is also Director on the Boards of FFBL, FPD and Foundation Solar Energy Limited.



Mr Mohammad Munir Malik

Non-Executive Director

He is currently the Chief Financial Officer of Fauji Fertilizer Company Limited (FFC) and FFC Energy Limited. He joined FFC in 1990 and has served as Group General Manager – Marketing prior to his appointment as CFO in 2015.

During his career in FFC, he has worked at various key positions in Finance and Marketing Groups and has been actively involved in the strategic / financial planning of the Company. He had an instrumental role in buyout of ex-Pak Saudi Fertilizer Limited including arrangement of syndicated debt, now FFC Plant-III. He also has played vital role in the strategic alignment of FFC's diversification portfolio which includes expansion into energy sector through participation in setting up Thar Energy Limited, a coal-based power plant, and acquisition of Foundation Wind Energy I & II (Renewable Energy)

Prior to joining FFC, he worked with Dowell Schlumberger (Western) S.A., an international oil service company and Attock Cement Pakistan Limited at senior finance positions.

He is also a Director on the Boards of Askari General Insurance Company Limited, Fauji Fertilizer Bin Qasim Limited, FFBL Power Company Limited, Fauji Fresh n Freeze Limited, Foundation Wind Energy – I Limited and Thar Energy Limited.

He is a Fellow member of the Institute of Chartered Accountants of Pakistan (ICAP), and completed his training from PWC Pakistan. He is a Certified Director from ICAP and has undergone various professional trainings from Harvard Business School, Stanford University, Chicago Booth School of Business, Kellogg School of Business, Foster School of Business, Ross School of Business and Center for Creative Leadership, USA and IMD, Switzerland.



Mr Rehan Ahmed

Non-Executive Director

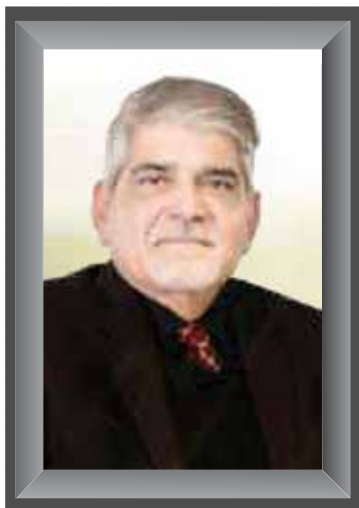
Mr Rehan Ahmed is currently working as Group General Manager (Technology and Engineering) with Fauji Fertilizer Company Limited. Previously he has worked as General Manager (T&E) and General Manager Engineering with FFC.

He graduated from University of Engineering and Technology – Lahore in 1985 in the discipline of Chemical Engineering and has been serving FFC since then.

He has served FFC in various capacities and remained actively involved in all projects including FFC Expansion Project (Plant II), FFBL, revamping of FFC Plant I and Plant III and FFBL / FFC joint venture with OCP of Morocco.

As his current portfolio, he looks after the business development, strategy and risk departments, engineering and R&D functions within FFC. His responsibilities also include looking after the FACE Project (Food Security and Agriculture Centre of Excellence) a wholly owned NPO by FFC as well as OLIVE Technical Services (Pvt) Limited, the services wing of FFC recently established to expand FFC services portfolio in the fertilizer and RE Power sector. He has also co-authored / presented various publications on technical matters at international forums.

Board's Profile



Syed Bakhtiyar Kazmi

Non-Executive Director

Mr Kazmi is a fellow chartered accountant with over 35 years of experience in a diverse range of sectoral and functional strata within national and regional economies. The key areas of his specialization are fiscal policy and macroeconomic research, greenfield and brownfield projects, strategic collaborations, mergers and acquisitions, outliers in accounting and finance, strategic level audit and assurance and tax reforms and strategic level advisory.

Mr Kazmi served KPMG for 35 years; last 25 years as a partner. As a partner he interacted with the leadership in almost every industry, understanding their vision, their insights, and most importantly on their business strategies. His rigorous exposure to a diverse range of sectors and projects, enabled him to conceive and culminate strategic value additions for his clients, pertaining to public and private sector organizations. He successfully implemented a comprehensive service delivery framework that ensures quality assured service provision to KPMG's clients, and a cross-functional integration with the advisory and taxation services that allowed a robust and comprehensive service delivery package to the clients. As an auditor and an advisor, Mr Kazmi successfully delivered his promise of providing best-in-class and integrity driven services. With his career progression, he branched into macroeconomic research with a focus on contributing towards fiscal and regulatory policies of Pakistan. He almost single handedly established advisory practice of KPMG in Islamabad about 2 decades ago which today arguably is the go to advisory in Islamabad. This initiative covered financial projections, feasibilities, information memorandums, internal audit assessments, HR assessments, manuals for processes and controls, valuations, and development advisory which included an assessment of the Punjab and Sindh governments.

Mr Bakhtiyar Kazmi has served on a number of diverse forums / boards in the Private Sector, Public Sector & Civil Society Organization. As a thinker, he actively spreads his thoughts and ideas through his articles on national economics, business and taxation matters and issues, regularly published in reputable dailies. Mr Kazmi is an avid golfer and currently hold the position of captain of Islamabad golf club.

He is also on Board of following entities:

- Fauji Fertilizer Company Ltd
- Fauji Cement Company Ltd
- Mari Petroleum Company Ltd
- Fauji Fertilizer Bin Qasim Ltd
- Fauji Foods Ltd
- Fauji Infravest Foods Ltd
- Fauji Kabirwala Power Company Ltd
- Fauji Oil Terminal & Distribution Company Ltd
- Foundation Solar Energy Ltd
- Fauji Akbar Portia Marine Terminal Ltd
- Askari Cement Ltd
- Foundation Power Company Daharki Ltd
- Daharki Power Holding Company Ltd
- Fauji Trans Terminal Ltd
- Askari Bank Ltd
- Foundation Wind Energy - I Ltd
- Foundation Wind Energy - II Ltd
- FFC Energy Ltd
- Olive Technical Services Ltd
- Fauji Fresh n Freeze Ltd
- Fauji Meat Ltd



Syed Khalid Siraj Subhani

Independent Director

Mr Subhani is a Chemical Engineer with Executive Management Program from Haas School of Business, University of California, Berkeley and Leadership program from MIT, Boston. A seasoned executive, his career spanned over 33 years with Exxon Chemical Pakistan Limited, which subsequently became Engro Chemical Pakistan Limited and later Engro Corporation Limited. This included long term assignments with Esso Chemical Canada in Edmonton and at ICI site in Billingham UK. Over the years, he worked in numerous senior executive positions at Engro and played instrumental role in growth and diversification of the company to make it one of the largest business conglomerates of Pakistan.

Prior to retirement from Engro he worked as President and Chief Executive Officer of:

- Engro Corporation Ltd
- Engro Polymer and Chemicals Ltd
- Engro Fertilizers Ltd

Mr Subhani also served as President and Chief Executive officer of ThalNova Power Thar Private Limited for a period of two years

Earlier Mr Subhani also served on the following boards:

- Engro Corporation Ltd (Director)
- Hub Power Company Ltd (Director)
- Engro Foods Ltd (Director)
- Sindh Engro Coal Mining Company Ltd (Director)
- Laraib Energy Ltd (Director)
- Engro Fertilizers Ltd (Board Chairman)
- Engro Polymer and Chemicals Ltd (Board Chairman)
- Engro Vopak Terminal Ltd (Board Chairman)
- Thar Power Company Ltd (Board Chairman)
- Engro Powergen Qadirpur Ltd (Board Chairman)
- Engro Elengy Terminal (private) Ltd (Board Chairman)
- Engro Eximp AgriProducts (Private) Ltd (Board Chairman)

He also served as Chairman of Board Technical Committees & Board Human Resource Committees at Hub Power Company and Laraib Energy Limited.

Few of other engagements of Mr Subhani have been:

- Vice President – Overseas Chamber of Commerce & Industry (OICCI)
- Director - Vinyl Chloride Safety Association of North America, Baton Rouge, USA
- Member of Business Advisory Council – Society for Human Resource Management (SHRM)
- Member Academic Council and Faculty Selection Board – Institute of Business Administration Sukkur
- Member Standing Committee on Environment – FPCCI
- Member – Pakistan Japan Business Forum (PJBF)

Mr Subhani is currently working as acting Managing Director and CEO of Oil and Gas Development Company Limited (OGDCL), a largest E&P Company of Pakistan listed on Pakistan and London stock exchanges. He is also a director on the board of Mari Petroleum Company Limited.



Board's Profile



Mr Moez ur Rehman

Independent Director

Mr Moez ur Rehman is a Certified Director and a versatile finance executive with more than 20 years of varied experience in local, multinational and public sector organizations. He is also a Fellow Member of Institute of Chartered Accountants of Pakistan (ICAP) and specialist in treasury management, corporate reporting, risk profiling, compliance, strategic planning and mentoring & performance evaluation.

He is an avid reader and adventure seeker, who is always on a look out for an opportunity to travel & explore. Mr Moez ur Rehman is a motivated and result oriented professional who is adept at nurturing business relations and steering them to success. He is one of the founder members of 'SAKAFAT FOREVER' and it's Managing Partner.



Ms Pouruchisty Sidhwa

Independent Director

Ms Sidhwa is a Senior Human Resource Professional having over 2 decades of broad based experience in Leadership roles in Banking, Pharma, Manufacturing, Textiles and Food. She possesses business analytics, strong controls, good governance and excellent people management skills to contribute to organizational growth and development. She is currently the Chief Human Resources Officer, Telenor Microfinance Bank. She is Bachelor of Commerce from University of Karachi. She is a Board Member of the Pakistan Society for Human Resource Management, Pakistan Society for Training and Development and Pakistan Human Capital Forum.



Ms Saira Nasir

Independent Director

Saira Nasir is an accomplished fellow member of the Institute of Chartered Accountants of Pakistan and a Fellow member of the Institute of Corporate Secretaries of Pakistan. Ms Saira has indulged herself not just as an audit practitioner; rather she has diligently remained connected to the Institute to alleviate the system of audit and accountancy education and training to ensure continued professional development for its members and students. Therefore, she has been actively involved in conducting various professional trainings, consultations, workshops, seminars, webinars, podcasts related to varying domains from specific topics of reporting and disclosure requirements in Pakistan, best practices for internal audit and internal control, areas impacting corporate governance especially family businesses; to generalized practices of innovation in businesses and e-Learning to coaches, trainers, teachers, students and other audiences.

She has also meticulously carried out special assignments related to Corporate Governance; including Board Performance Evaluations and Director Orientation Programs. A case study-Disclosure Requirements on Corporate Governance - Pakistan, was prepared and presented by her in the 24th session of ISAR, held in Geneva in October 2009, under the auspices of United Nations Conference on Trade and Development (UNCTAD).

Currently she is offering independent services as Corporate Governance consultant. However, her aim for "enablement, empowerment and development" of accountancy professionals has led her to participate as an active member through several committees including the Audit Committee of Pakistan Human Development Fund; the Women Committee, Continuing Professional Development Committee and Economic and Advisory Committee of the Institute of Chartered Accountants of Pakistan. She is on the boards of Fauji Fertilizer Bin Qasim Limited, Allied Rental Modaraba and Power Cement Limited in the capacity of an Independent Director.



Board's Profile



Mr Javed Akhtar

Chief Financial Officer / General Manager Finance

Javed Akhtar started his career with Price Waterhouse Coopers and is a fellow member of the Institute of Chartered Accountants of Pakistan. He has diverse experience of over 23 years in the fields of financial management, business planning, audit and secretarial affairs, both in and outside Pakistan. He was Director Finance and Company Secretary of Pakistan Maroc Phosphore, S.A., a Joint Venture between Fauji Group and Office Chérifien des Phosphates (OCP) of Morocco, during 2014-17. Before joining FFBL in 2006, he has worked with Fauji Fertilizer Company, Pakistan State Oil, KPMG-Oman, and Attock Refinery.



Brig Asif Ali, SI(M), (Retd)

Company Secretary

Joined FFBL as Company Secretary in Dec 2021. He holds Masters Degree in Operational Strategy and War Studies from National Defence University, Islamabad & a graduate and instructor of Command and Staff College, Quetta. He is Qualified from Fuji School Japan and also holds a Diploma with distinction in Japanese Language from NUML. Wrote research papers on Nuclear Security and Safety, IAEA, Vienna and Nuclear Safety and Security, Finland. Also got Fellowship in Counter Terrorism, USA.

He had a distinguished career of over 34 years in Pakistan Army, during which he served on various Command, Staff and Instructional appointments including Principal Staff officer to the President, Chief Executive and COAS, Defense and Military Attaché/Advisor, Embassy of Pakistan, Nepal, Commander Security of a Strategic Organization and Commanded Military Intelligence Sector of Balochistan.

After retirement from Pakistan Army he held portfolios as:

- Managing Director Allmed Group. Pharma and Medical Equipment
- Foundation Secretary, Fauji Foundation (Head Office)
- Company Secretary/ Head of Administration & Human Resource Department of FWEL

Notice of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held at 10:00 hrs on 17 March, 2022 at FFBL Tower, C1/C2, Sector-B, Jinnah Boulevard, Phase-2, DHA, Islamabad to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 22 November, 2021.
2. To receive, consider and approve the Audited Accounts of the Company (separate and consolidated) together with the Directors' and Auditors' reports thereon for the year ended December 31, 2021.
3. To appoint auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. (The retiring auditors M/s EY Ford Rhodes, Chartered Accountants have offered themselves for re-appointment.)

SPECIAL BUSINESS

4. To pass the following resolutions as Special Resolutions with or without any amendments, modifications or alterations: -

"RESOLVED THAT the Company be and is hereby authorised to:

- (i) Renew, roll over and extend the time for repayment of mark-up accrued on its investment previously made by the Company in Fauji Foods Limited ("FFL") pursuant to the Subordinated Shareholder Loan Agreement dated 31 March 2020 (relating to the grant of subordinated shareholder loan of up to PKR 2.5 Billion by the Company to FFL, approval for which was given by the shareholders resolutions dated 30 March 2020 and 29 March 2021) ("Shareholder Loan Agreement 1") and the Subordinated Shareholder Loan Agreement dated 25 November 2020 (relating to the grant of subordinated shareholder loan by the Company to FFL of up to PKR 3.5 Billion, which was approved by the shareholders through shareholders resolution dated 25 November 2020) ("Shareholder Loan Agreement 2") so as to renew, roll over, and extend the time for repayment of mark-up of PKR 445,138,787 accrued pursuant to the Shareholder Loan Agreement 1 and mark-up of PKR 263,611,014 accrued pursuant to the Shareholder Loan Agreement 2 for a further period of one (1) year, the principal amount of Shareholder Loan Agreement 1 and Shareholder Loan Agreement 2 having already been converted into equity;
- (ii) Convert, as and when deems fit, the accrued mark-up into fully paid-up ordinary shares of FFL (at a price to be determined by the Board) of the corresponding value, to be issued by FFL to the Company; and
- (iii) make all such amendments to the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2 as are necessary to extend the repayment of the accrued mark-up for a further period of one (1) year, or convert into equity and to give effect to the above resolutions.

FURTHER RESOLVED that the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary and/or expedient for the aforesaid purposes or in furtherance thereof including, without limitation, to enter into and deliver and implement any and all contracts, instruments, powers of attorney, notices, certificates, documents (of whatever nature and description including, without limitation, any and all amendments to the existing Shareholder Loan Agreement 1 and Shareholder Loan Agreement

Notice of Annual General Meeting

2 and any other counter-indemnity agreements (collectively, "Relevant Contracts")) with FFL, and with the relevant financial institution(s), as may be necessary or expedient for the purpose.

FURTHER RESOLVED THAT the Chief Executive Officer and Company Secretary are hereby authorized to singly or jointly take any and all necessary steps and actions for implementing the above resolutions, including, without limitation, to seek any and all consents and approvals, to execute and (where required) file the Relevant Contracts and all other necessary documents, declarations, certificates and undertakings and to appear and make representations before any regulatory or other authority, as may be necessary or conducive for and in connection with any of the foregoing matters and to sign, issue and dispatch all such documents and notices and do such acts as may be necessary for carrying out the aforesaid purposes and giving full effect to the above resolutions, including entering the details of any investments made by the Company in FFL in the register of investment in associated companies maintained at the Company's registered office.

FURTHER RESOLVED THAT the Chief Executive Officer and Company Secretary of the Company be and are hereby authorized to delegate, in writing, by power of attorney or otherwise, all or any of the above powers in respect of the foregoing to any other officials of the Company as deemed appropriate. "

OTHER BUSINESS:

5. To transact any other business with the permission of the Chair.

By Order of the Board

Fauji Fertilizer Bin Qasim Limited

Islamabad
February 23, 2022

Brig Asif Ali, SI(M), (Retd)
Company Secretary

Statement of Material Facts

under Section 134 of the Companies Act, 2017

Statement Pursuant to Section 134(3) of the Companies Act, 2017

Pursuant to Section 134(3) of the Companies Act, 2017, this statement sets forth the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on 17 March, 2022.

Approval of the shareholders of the Company is required in respect of:

(i) Roll-Over of Mark-up on Subordinated Shareholder Loans

Pursuant to shareholder approval through special resolution granted in the general meeting of the Company held on 30 March 2020, the Company was authorised to grant a subordinated shareholder loan of up to PKR 2.5 Billion to Fauji Foods Limited ("FFL"). Subsequently, repayment of the subordinated shareholder loan was extended for a period of one (1) year through the shareholders resolution dated 29 March 2021.

Further, through the shareholders' approval through special resolution granted in the general meeting of the Company held on 25 November 2020, the Company was authorised to grant a subordinated shareholder loan of up to PKR 3.5 Billion to FFL.

The mark-up on these loans were further extended until the Annual General Meeting of the Company in 2022 through the shareholders resolution dated 22 November 2021.

In this regard, the Company executed the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2 with FFL. The Company has already exercised its option under the said agreements to convert the entire principal amount of the shareholder loans.

The Company now intends to extend repayment of mark-up of Rs. 709 million accrued on the total subordinated shareholder debt of PKR 5.925 Billion (Pakistani Rupees Five Billion Nine Hundred Twenty-Five Million) (PKR 2.5 Billion plus PKR 3.425) Billion (Pakistani Rupees Three Billion Four Hundred Twenty-Five Million) (the "Accrued Mark-up") for one year.

The extension of the repayment date of the mark-up will allow the Company to convert the same into shares of FFL by subscribing to FFL's rights issue and will extend the repayment date of the mark-up that accrues on the said principal amounts for a further period of 1 year, resulting in improvement in the financial condition of FFL. Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.

Information pursuant to Regulation 3(a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of associated company along with criteria based on which the associated relationship is established	Fauji Foods Limited (FFL) Fauji Fertilizer Bin Qasim Limited (the “Company or FFBL”) holds 71.63% of the issued and paid-up capital of FFL									
Earnings per share for the last three years	<table><tr><th>Year</th><th>EPS</th></tr><tr><td>2021</td><td>(1.60)</td></tr><tr><td>2020 (Restated)</td><td>(3.92)</td></tr><tr><td>2019</td><td>(10.74)</td></tr></table>		Year	EPS	2021	(1.60)	2020 (Restated)	(3.92)	2019	(10.74)
Year	EPS									
2021	(1.60)									
2020 (Restated)	(3.92)									
2019	(10.74)									
Break-up value per share, based on latest audited financial statements	PKR 2.2/- Per Share									
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Long term Loan PPE Short term borrowings Sales Cost of sales Loss	6,100 Million 8,505 Million 1,934 Million 8,586 Million 7,665 Million 1,253 Million								
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, i. description of the project and its history since conceptualization ii. starting date and expected date of completion of work iii. time by which such project shall become commercially operational iv. expected time by which the project shall start paying return on investment v. funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not Applicable.									

Statement of Material Facts

under Section 134 of the Companies Act, 2017

General Disclosures:	
Maximum amount of investment to be made	The Company intends to extend the repayment of the total mark-up of up to PKR 709 Million accrued pursuant to the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2 and the Company is further authorized to make all such amendments to the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2 entered between the Company and FFL as are necessary to give effect to this resolution.
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	<p>Due to its nature of being sub-ordinated, FFL is unable to pay the mark-up on sub-ordinated debt until all obligations pertaining to commercial loan have been settled. Therefore, rollover of repayment is required.</p> <p>Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.</p>
<p>Sources of funds to be utilized for investment where the investment is intended to be made using borrowed funds,</p> <p>i. justification for investment through borrowings;</p> <p>ii. detail of collateral, guarantees provided and assets pledged for obtaining such funds; and</p> <p>iii. cost benefit analysis</p>	The investment was funded through company's own resources.
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	FFL and FFBL have, after obtaining shareholder approvals through special resolutions, entered into the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2. Subject to receipt of shareholders' and third-party approvals, both agreements will be amended to allow the extension of the repayment of the mark-up. All other terms of the said agreements will remain unchanged.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Nothing other than as a shareholder.

In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs	The Company has determined recoverable amount of FFL, based on value-in-use calculation, which was lower than the carrying amount of investment in the Company's financial statement, accordingly an impairment of PKR 820 Million has been recognized in the financial statements to date, due to challenging trading and economic conditions affecting food sector in Pakistan.
Any other important details necessary for the members to understand the transaction	No.

Information pursuant to Regulation 3(c) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Information Required	Information Provided
Category wise amount of investment	The Company will, subject to shareholders' and requisite third-party approvals, extend the time period for repayment of Mark-up on Sponsor Support Loans of PKR 709 Million until the Company's next Annual General Meeting (to be held in March, 2023).
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	The mark-up had accrued in accordance with the terms of the agreements at the rate of KIBOR for the relevant period + 150 Basis Points to cover the average borrowing cost of the Company.
Rate of interest, mark up, profit, fees or commission etc. to be charged	N/A as mark-up stopped accruing as of the date of conversion of the principal amount of the loans to equity.
Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	No security over assets of FFL will be obtained but the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2 between the Company and FFL include a commitment and indemnity by FFL to the Company to pay the loan along with any interest that has accrued at the times and in the amount mentioned therein, subject to the terms of subordination.
If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Under the Shareholder Loan Agreement 1 and the Shareholder Loan Agreement 2, the Company shall at all times have the option to Convert, as and when it deems fit, the subordinated shareholder loan together with all interest or mark-up that has accrued thereon into fully paid-up ordinary shares (of Rs. 10 per share i.e. at par value) of FFL of the corresponding value, to be issued by FFL to the Company.
Repayment schedule and terms of loans or advances to be given to the investee company	Repayment of the Mark-up on Sponsor Support Loans, subject to the terms of subordination and approval of FFL's lenders as required, shall be extended, with the option to convert the loans into shares of the equivalent value of FFL.

CLOSURE OF SHARE TRANSFER BOOKS: -

Share transfer books of the Company will remain closed from March 11, 2022 to March 17, 2022 (both days inclusive) for the purpose of holding the Annual General Meeting.

NOTES: -

1. A member of the Company entitled to attend and vote at the General Meeting may appoint a person/ representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's registered office duly stamped and signed not later than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.
2. The CDC/sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan contained in Circular No. 1 of 2000 dated January 26, 2000: -

(a) For attending the meeting

- i. In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his / her original national identity card or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

(b) For appointing proxies

- i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted to the Company along with proxy form.
3. Members are requested to promptly notify any change in their addresses.
 4. Shareholders who have not yet submitted photocopies of their Computerized National Identity Cards (CNIC) are requested to send the same at the earliest.

5. Shareholders who wish to receive annual reports and notice of the General Meeting through e-mail are requested to provide, through a letter duly signed by them, their particulars, i.e. Name, Folio/ CDC A/C No., E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their e-mail address to the Share Registrar of the Company M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore .

6. Consent for Video Conference Facility

Members can also avail video conference facility in Karachi and Lahore. In this regard please fill the following and submit to registered address of the Company 10 days before holding the general meeting.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting alongwith complete information necessary to enable them to access such facility.

I/We, _____ of _____, being a member of Fauji Fertilizer Bin Qasim Limited, holder of _____ Ordinary Share(s) as per Register Folio / CDC Account No _____ hereby opt for video conference facility at _____

Signature of member

7. E-Voting

Members can exercise their right to demand a poll subject to meeting requirements of Sections 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

8. Participation in AGM through electronic means:

As per directions issued by SECP through Circular No EMD/MISC/82/2012-77 dated February 15, 2021 and EMD/MISC/82/2012 dated March 03, 2021 in the light of the threat posed by evolving COVID-19 situation (Corona Virus) pandemic and to protect the wellbeing of the shareholders, members can also participate in the Annual General Meeting through following means:

- | | |
|----------------|---|
| 1. WhatsApp No | 03008713326 |
| 2. Email ID | shares@ffbl.com |
| 3. Video Link | member who wish to participate through video link should intimate through above WhatsApp number / Email ID on or before March 15, 2022. |

Members who are intended to participate physically should consolidate their attendance through proxies. Shareholders are requested to mention Name, CNIC No, Folio / CDC A/c No & Number of shares for identification.

9. Unclaimed dividend / shares

As per Regulation No 9 of Companies (Distribution of Dividends) Regulation, 2017, dividend amount is payable only through electronic mode. The members who have not yet provided/updated their IBAN detail are requested to please provide complete and valid IBAN bank account detail (physical shareholders to company's share registrar and CDC shareholders to their respective member Stock Exchange). Further, the share certificate(s) in respect of right shares (R-2) are ready for delivery which may be collected from Shares Registrar of The Company in exchange of paid Right Letter (in original).

Shareholders, who have not received previous years dividend amount, right share certificates (R-1) or share certificates lodged for transfer are requested to please contact the Company or Shares Registrar in this regard.

اطلاع برائے سالانہ اجلاس عام

نوٹس:

1- کمپنی کا کوئی ممبر جو سالانہ اجلاس میں شریک ہونے اور ووٹ دینے کا حق رکھتا ہو، کسی شخص/نمائندہ کو اجلاس میں ممبر کی جگہ شریک ہونے اور ووٹ دینے کیلئے بطور پراکسی مقرر کر سکتا ہے۔ پراکسیاں موثر ہونے کیلئے لازم ہے کہ اجلاس منعقد ہونے کے وقت سے کم سے کم 48 گھنٹے قبل باضابطہ مہر شدہ اور دستخط شدہ کمپنی کے رجسٹرڈ آفس میں موصول ہو جائیں۔ کوئی ممبر ایک سے زیادہ پراکسی مقرر نہیں کر سکتا ہے۔ شیئر ہولڈر کے قومی شناختی کارڈ کی مصدقہ کاپی پراکسی فارم کے ساتھ منسلک ہونا لازمی ہے۔

2- سی ڈی سی/سب اکاؤنٹ ہولڈرز سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سرکلر نمبر 1/2000 بتاریخ 26 جنوری 2000 کی وضع کردہ درج ذیل ہدایات کی پیروی کریں۔

(الف) - اجلاس میں شرکت کیلئے:

(i) اشخاص کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اپنی شناخت کی تصدیق کیلئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ اجلاس میں شریک ہونے کے وقت دکھائے گا۔

(ii) کارپوریٹ ادارہ کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد کے گیسے شخص کے دستخط کے ساتھ اجلاس کے وقت پیش کرنا ہونگے۔

(ب) - پراکسیوں کی تقرری کیلئے:

(i) اشخاص کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر درج بالا ہدایات کے مطابق پراکسی فارم جمع کرائے گا۔

(ii) پراکسی فارم پر دو اشخاص کی گواہی دینا ہوگی جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبرز فارم پر درج ہونگے۔

(iii) بینیفیشل اونرز اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ساتھ فراہم کرنا ہونگی۔

(iv) اجلاس کے وقت پراکسی اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرے گا/گی۔

(v) کارپوریٹ ادارہ کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد کے گیسے شخص کے دستخط پراکسی فارم کے ہمراہ کمپنی میں جمع کرانا ہونگے۔

3- ممبران سے التماس ہے کہ اپنے پتے میں کسی تبدیلی سے فی الفور مطلع فرمائیں۔

4- ایسے تمام شیئر ہولڈرز جنہوں نے ابھی تک اپنے شناختی کارڈ کی کاپی مہیا نہیں کی ہے، ان سے ایک بار پھر گزارش کی جاتی ہے کہ اپنے مستند شناختی کارڈ کی کاپی جلد از جلد کمپنی کے شیئرز رجسٹرار کو مہیا کریں۔

5- ایسے شیئر ہولڈرز جو سالانہ رپورٹ اور اجلاس عام کا نوٹس بذریعہ ای میل حاصل کرنا چاہتے ہیں ان سے گزارش ہے کہ اپنے کوائف یعنی نام، سی ڈی سی اکاؤنٹ رفالو نمبر، ای میل ایڈریس، فون نمبر اور شناختی کارڈ کی کاپی کے ساتھ دستخط شدہ درخواست مہیا کریں۔ شیئر ہولڈرز سے مزید التماس ہے کہ ای میل ایڈریس کی تبدیلی کی صورت میں فوری طور پر مطلع کریں۔

مزید یہ فیصلہ کیا گیا کہ کمپنی اس طرح کے تمام امور، اعمال اور افعال انجام دینے کی مجاز ہے جو مذکورہ مقاصد کی تکمیل کے لیے ضروری اور موزوں ہوں یا مزید اس میں یہ امر شامل ہے کہ یہ کسی ایک اور تمام معاہدہ جات، دستاویزات، مختار عام و خاص، نوٹس، سرٹیفکیٹ، دستاویزات (خواہ اس کی کوئی بھی نوعیت اور تفصیل ہو، بغیر کسی رکاوٹ کے، موجودہ شیئر ہولڈر قرض کے معاہدے 1 اور شیئر ہولڈر قرض کے معاہدے 2 نیز FFL اور متعلقہ مالیاتی اداروں کے ساتھ اس مقصد کی تکمیل کے لیے ضروری یا مناسب ہو، کسی بھی گارنٹی کے معاہدہ جات (مجموعی طور پر، "متعلقہ معاہدہ جات") کرنے اور اس پر عمل درآمد کرنے کے ساتھ ساتھ ان میں کوئی ایک اور تمام ترامیم کرنے کی مجاز ہے۔

مزید یہ فیصلہ کیا گیا کہ چیف ایگزیکٹو آفیسر اور کمپنی سیکریٹری مندرجہ بالا قراردادوں پر انفرادی یا مشترکہ طور پر عمل درآمد کرنے کے لیے کسی بھی ایک اور تمام رضامندیوں اور منظوریوں کو حاصل کرنے کے لیے کوئی بھی ایک اور تمام ضروری اقدامات اور افعال انجام دینے کے مجاز ہیں، بشمول، بغیر کسی رکاوٹ کے، اس پر عمل درآمد کرنا اور (جہاں ضروری ہو) متعلقہ معاہدوں اور دیگر تمام ضروری دستاویزات، بیان حلفیہ، سرٹیفکیٹس اور معاہدہ جات کریں اور کسی بھی ریگولیٹری یا دیگر اتھارٹی کے سامنے پیش ہوں اور نمائندگی کریں، جیسا کہ مذکورہ بالا معاملات میں سے کسی کے لیے اور اس کے سلسلے میں ضروری یا موزوں ہو اور ایسے تمام دستاویزات اور نوٹس پر دستخط کریں، جاری کریں اور ارسال کریں نیز مندرجہ بالا مقاصد کی تکمیل اور مذکورہ بالا قراردادوں کو موثر العمل بنانے سمیت کمپنی کی جانب سے FFL میں سرمایہ کاری کے رجسٹر میں کی گئی کسی بھی سرمایہ کاری کی تفصیلات درج کرنے کے لیے حسب ضرورت ایسے اقدام کریں۔

مزید یہ فیصلہ کیا گیا کہ کمپنی کے چیف ایگزیکٹو آفیسر اور کمپنی سیکریٹری کو تحریری طور پر مختار عام کے ذریعے یا بصورت دیگر کسی اور طریقے سے جیسا مناسب سمجھیں مذکورہ بالا تمام یا کوئی بھی اختیار کمپنی کے کسی دوسرے عہدیدار کو تفویض کرنے کا اختیار حاصل ہے۔

دیگر امور

5- چیئرمین کی اجازت سے کسی دوسرے مسئلہ پر غور کرنا۔

بحکم بورڈ

فوجی فریڈلینڈز ربن قاسم لمیٹڈ

برگیڈیئر آصف علی، ستارہ امتیاز (ملٹری)، (ریٹائرڈ)

کمپنی سیکریٹری

اسلام آباد

23 فروری 2022ء

شیئر ہولڈر انسفر بکس کی بندش

کمپنی کی شیئر ہولڈر انسفر بکس، سالانہ اجلاس عام کے انعقاد کیلئے، 11 مارچ 2022 سے 17 مارچ 2022 تک (بشمول دونوں ایام) بند رہیں گی۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ فوجی فرٹیلائزر بن قاسم لمیٹڈ کے شیئر ہولڈرز کا اٹھائیسواں سالانہ اجلاس عام مورخہ 17 مارچ 2022 کو صبح 10 بجے ایف ایف بی ایل ٹاور سی 1/2، سیکٹر B، جناح بلیوارڈ، فیز II، ڈی ایچ اے، اسلام آباد میں منعقد ہوگا جس میں درج ذیل اُمور طے کیے جائیں گے:

عمومی اُمور

- 1- غیر معمولی اجلاس عام منعقدہ 22 نومبر 2021 کی کارروائی کی توثیق و تصدیق کرنا۔
- 2- 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے ڈائریکٹرز اور آڈیٹرز رپورٹس کے ساتھ کمپنی کے آڈٹ شدہ اکاؤنٹس (علیحدہ اور اکٹھے) کی وصولی، ان پر غور اور منظور کرنا۔
- 3- موجودہ اجلاس عام سے اگلے اجلاس عام تک کمپنی کے آڈیٹرز کی تعیناتی اور ان کے معاوضے کا تعین کرنا۔ (ریٹائر ہونے والے آڈیٹرز میسرز ای وائے فور ڈھوڈز، چارٹرڈ اکاؤنٹنٹس نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔)

خصوصی اُمور

- 4- درج ذیل قراردادوں کو کسی بھی ترمیم، تغیر و تبدل یا تبدیلی کے ساتھ یا اس کے بغیر خصوصی قراردادوں کے طور پر منظور کرنا:-

"یہ قرارداد پیش کی گئی کہ کمپنی درج ذیل امور کو انجام دینے کی مجاز ہے:

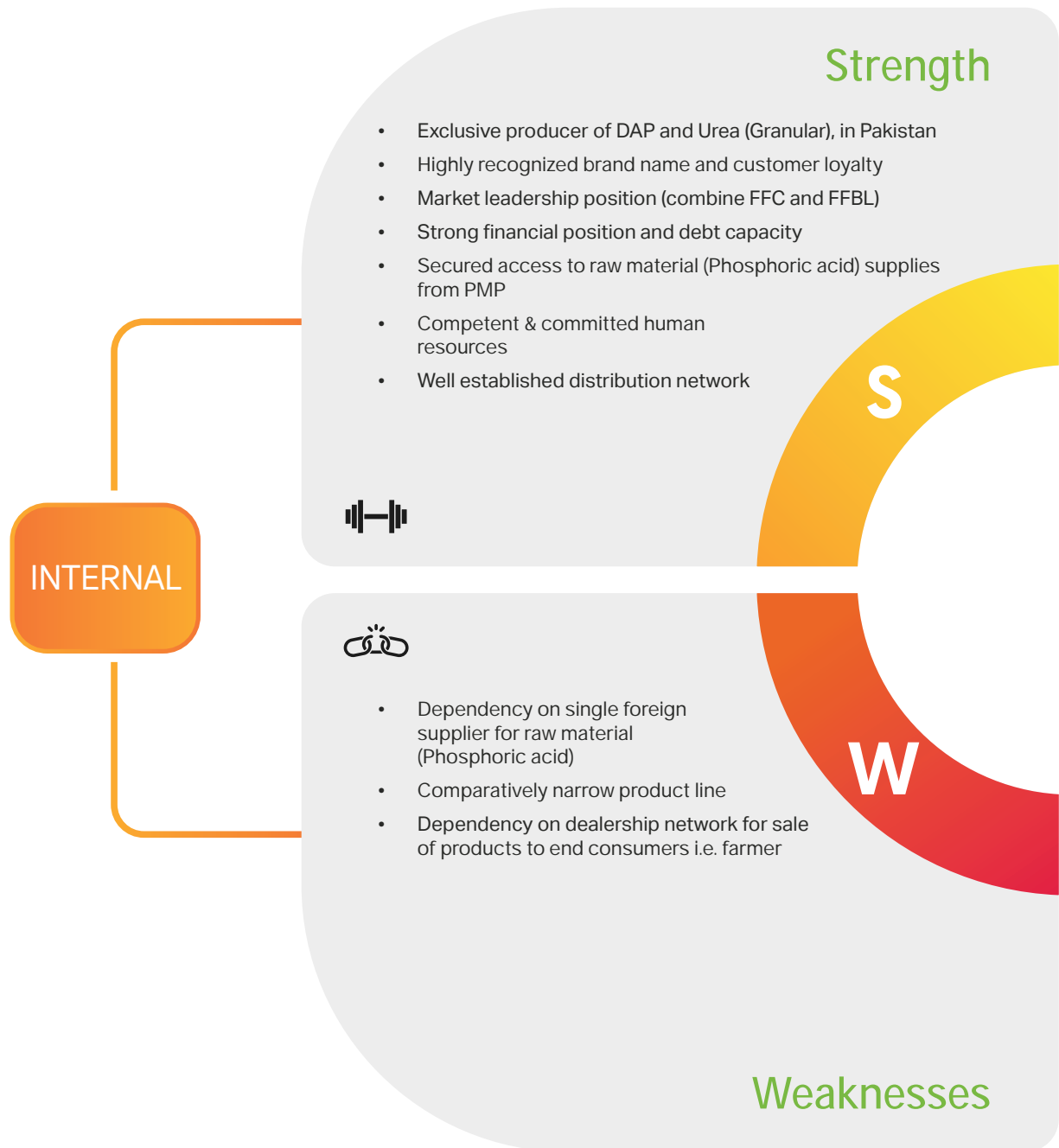
(i) سب آرڈینیٹیشنز ہولڈر قرض کا معاہدہ مورخہ مارچ 2020 کے مطابق فوجی نوڈز لمیٹڈ ("FFL") میں کمپنی کی طرف سے پہلے کی گئی سرمایہ کاری پر حاصل کردہ مارک اپ کی باز ادائیگی کے وقت کی تجدید، تغیر و تبدل اور توسیع کرے (FFL کو کمپنی کی طرف سے 2.5 ملین روپے تک کے سب آرڈینیٹیشنز ہولڈر قرض دینے کے حوالے سے اس کی منظوری حصص یافتگان کی قراردادوں مورخہ 30 مارچ 2020 اور 29 مارچ 2021 کے ذریعے دی گئی تھی) ("شیئر ہولڈر قرض کا معاہدہ 1") اور سب آرڈینیٹیشنز ہولڈر قرض کے معاہدے مورخہ 25 نومبر 2020 (کمپنی کی طرف سے FFL کو 3.5 ملین روپے تک کے سب آرڈینیٹیشنز ہولڈر قرض دینے کے ضمن میں جسے شیئر ہولڈرز نے مورخہ 25 نومبر 2020 کو شیئر ہولڈرز کی قرارداد کے ذریعے منظور کیا تھا) ("شیئر ہولڈر قرض کا معاہدہ 2") تاکہ مزید ایک (1) سال کی مدت کے لیے شیئر ہولڈر قرض کے معاہدہ 1 کے مطابق حاصل کردہ 445,138,787 روپے کے منافع اور شیئر ہولڈر قرض کے معاہدے 2 کے مطابق حاصل کردہ 263,611,014 روپے کے منافع کی باز ادائیگی کے وقت کی تجدید، تغیر و تبدل اور توسیع کرے۔ شیئر ہولڈر قرض کے معاہدے 1 اور شیئر ہولڈر قرض کے معاہدے 2 کی اصل رقم پہلے ہی ایکویٹی میں تبدیل ہو چکی ہے؛

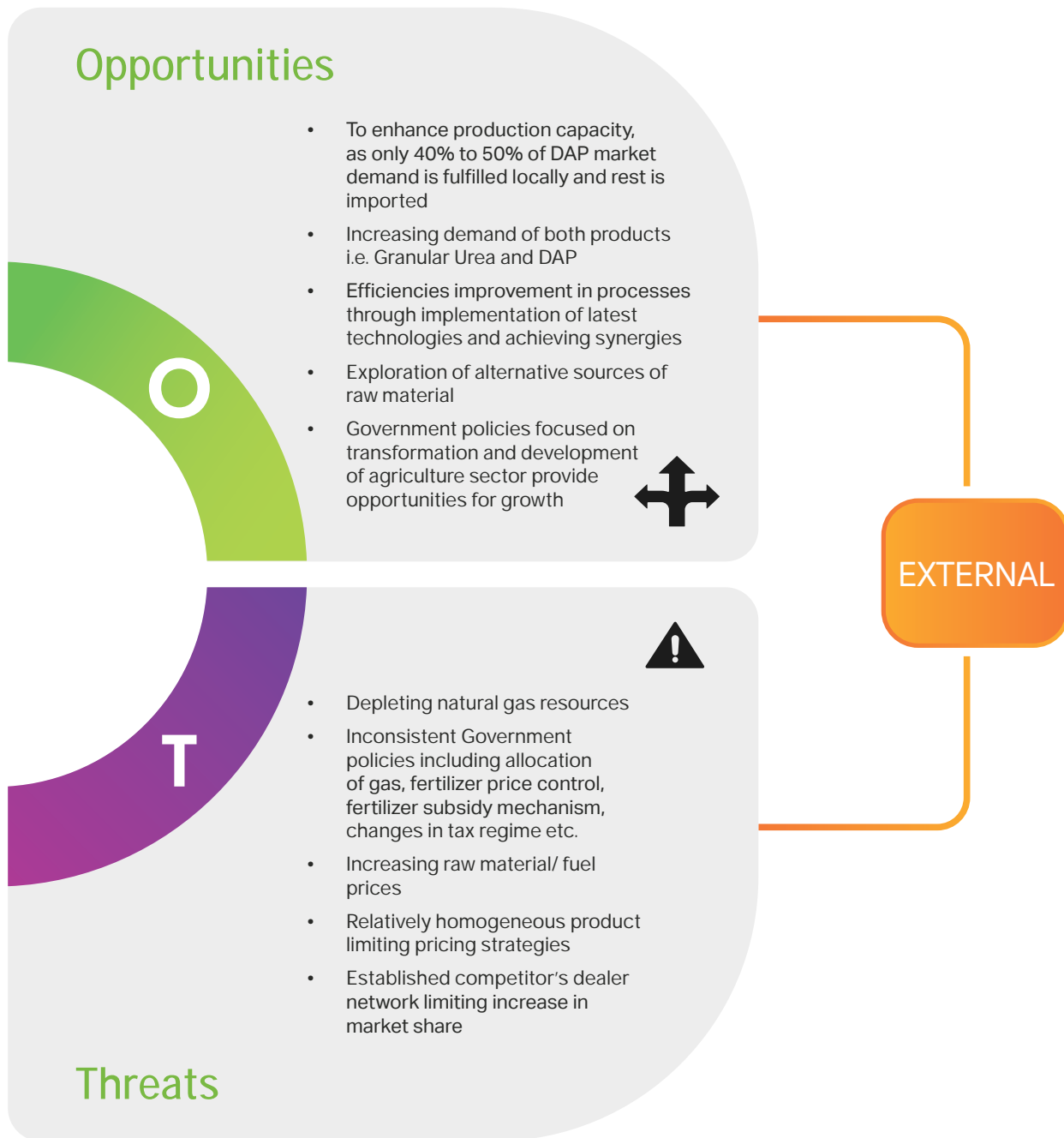
(ii) جب مناسب خیال کرے تو متعلقہ قیمت (بورڈ کے ذریعے متعین کردہ قیمت) پر FFL کے مکمل ادا شدہ عام حصص کے منافع کو تبدیل کرے جنہیں FFL کی جانب سے کمپنی کو جاری کیا جاتا ہے؛ اور

(iii) شیئر ہولڈر قرض کے معاہدے 1 اور شیئر ہولڈر قرض کے معاہدے 2 میں ایسی تمام ترامیم کرے جو حاصل کردہ مارک اپ کی باز ادائیگی میں مزید ایک (1) سال کی مدت کی توسیع کرنے یا ایکویٹی میں تبدیل کرنے اور مندرجہ بالا قراردادوں کو موثر بنانے کے لیے ضروری ہوں۔

SWOT Analysis

SWOT (Strengths, Weaknesses, Opportunities, Threats) is a strategic position analysis tool which helps to identify organization's strengths and weaknesses as well as external opportunities and threats.





Shortcomings of SWOT Analysis

- A capability or factor identified as strength can also be a weakness at the same time or as the context/ competitive environment change.
- SWOT analysis helps best to analyze strategic position if it is relative to a competitor and restricted access to relevant competitor information can impact SWOT assessment.

PESTEL Analysis





Technological

Not coping with technological advancement may create operational inefficiencies and competitive disadvantage.

Action:

FFBL continuously invests in technological advancements to enhance output quality.

The farming sector fails to have latest technological solutions for farming procedures which could harm agricultural industry as a whole.

Action:

Identification and addressing such issues and educating the farmers through programs.

Delayed and inefficient production due to lack in investment in technology.

Action:

By implementing ERP system is a move towards paperless operations resulting in favorable impact on environment and ensuring transparency and swiftness of transactions information and resources.



Environment

Soil deficient of phosphorous and Nitrogen attracts more use of fertilizers.

Action:

FFBL shall adjust to market trends and manage the production accordingly.

Water supply is scarce in Pakistan leading to hinderance in farming process.

Action:

Investing in trainings to educate farmers and technological solutions so that harvesting process could be smoothened.

Environmental waste could be affected to impair reputation and ultimate brand image.

Action:

FFBL is certified according to latest version of EMS i.e. ISO 14001: 2015. FFBL is also the forerunner fertilizer industry in the country which opted for environment friendly Phosphate based cooling water treatment program.



Legal

Laws, amendments, and rulings relating to cost components such as subsidies by provincial governments gas prices and freight regimes and revisions in sales and income tax regulations pertaining to unregistered dealers, significantly impact fertilizer manufacturers.

Action:

FFBL has continued engagement with the Government to formulate policies and laws for sustainable solutions that benefit all stakeholders.

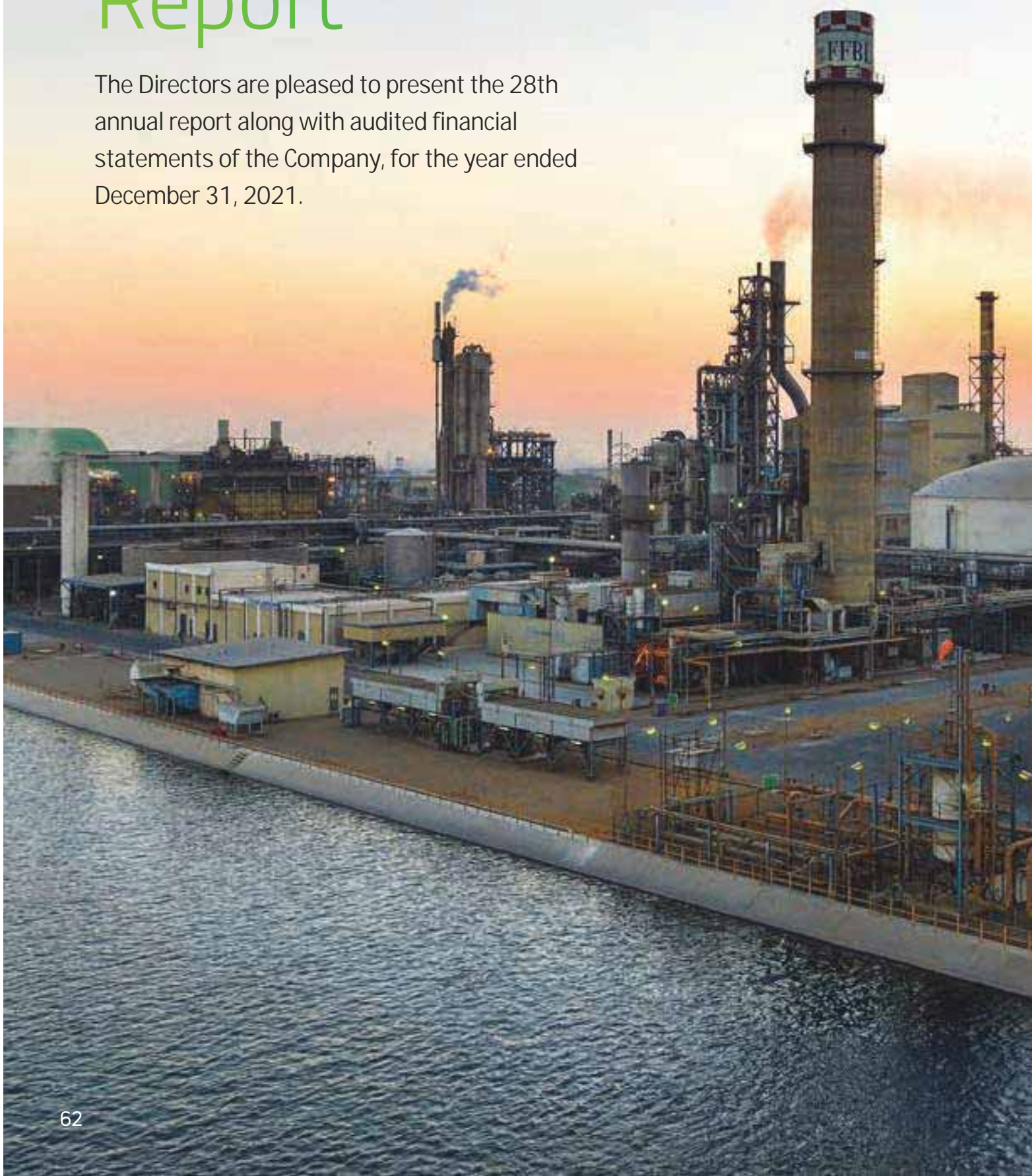
The launch of PSX's Minimum Sustainable development Goals reporting requirements and increased regulatory requirements in this regard is resulting in adopt best practices.

Action:

FFBL has adopted and implemented such initiatives to comply with requirements.

Director's Report

The Directors are pleased to present the 28th annual report along with audited financial statements of the Company, for the year ended December 31, 2021.





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Chairman Review



Dear Stakeholders,

The year 2021 observed a challenging recovery as economies embraced the impact of high-consequence, low-likelihood risks, arising from disruption of pandemic, firsthand. COVID-19 and its offshoots continued to shape the stories during the year, however, on the other hand, apart from pandemic's many setbacks, it also unleashed a new era of change and rethinking.

In a bid to transform FFBL into a future ready organization, FFBL's board continue to re-think and reshape the governance structure, investments, strategies and operations as well as our values and organization culture. The Board rolled out the organizations updated Vision, Mission and Value statements, thus reinforcing sustainable business growth with innovation, perseverance and teamwork, to be a significant industry player and provide service to the people of Pakistan. We have put our people at center of our work which we firmly believe are the only real source of competitive advantage in today's business environment and organizing for the future. Throughout the year, the board maintained a high degree of proactiveness and supported the management team to ensure effective decision making and implementation.

Our economy observed healthy recovery with 3.9% growth on the backdrop of consistent 19% contribution coming directly from the agriculture sector. Apart from being a consistent contributor to our economy, agriculture sector is faced with key challenges constraining it to achieve desirable growth and putting the basic nutrition requirement of world's 5th populous country at risk. Pakistan's increasing population at significantly high

pace of ~2%, shrinking farm land, rapidly changing farming conditions, un-favorable farm economics are necessitating a radical transformation of this sector. This is more concerning as the global agriculture industry has already transformed itself and is all set to enter into another revolution backed by emerging technologies including data and connectivity.

FFBL, being a responsible organization and operating largely in agriculture-input sector too has strived to play an active role in production of quality fertilizer which are proven to perform in a bid to increase the production potential of the land. We believe that there is a tremendous opportunity and an implied responsibility on fertilizer industry to bring the best of products and technological advancements from the world of agriculture research to the doorsteps of our farmers.

In my role as Chairman, I continue to ensure that the Board is playing a constructive role in prioritizing and effectively setting tasks to deliver the strategic direction in achieving long term sustainable growth for the Company. Governance related activities are always at the forefront, where Directors actively participate and seek valuable feedback from Independent Directors, who are subject matter experts, prior to concluding critical decisions.

The Board has setup several Committees who are entrusted with advisory and oversight functions. Their recommendations are shared with the Board for further deliberation and decision making. Committees are entrusted with the tasks of strategic framework recommendation and strengthen governance, guidance to management so as to maximize resource utilization, execution of key initiatives

including assessment of investments and improving capital structure, addressing business risks, and monitor progress and recommend backup plans so as to achieve strategic goals.

During the year, FFBL's board successfully completed transition of leadership role at FFBL. I would take this opportunity to welcome Mr. Arif-ur-Rehman in his new leadership role at FFBL as its Chief Executive Officer (CEO) bringing with him valuable perspective and insights. I am also grateful to outgoing CEO Mr. Sarfraz Ahmed Rehman who has moved on to lead our parent company, Fauji Fertilizer Company Limited.

Reflecting on our past and looking ahead, while considering market fundamentals, continued trust and confidence of our stakeholders, we shall continue to evolve and keep growing no matter what the challenges we are faced with. FFBL shall continue playing its role in sustainable and inclusive growth of the business, our people, the community we serve and interact with, and the environment we operate in. We are committed to build a better tomorrow.

Waqar Ahmed Malik
Chairman

ڈیئر اسٹیک ہولڈرز

وسائل کے زیادہ سے زیادہ استعمال، اہم امور کی انجام دہی بشمول سرمایہ کاری کیلئے تجدید، سرمایہ کے ڈھانچے کو بہتر بنانے، کاروباری خطرات سے نمٹنے اور بیک اپ پلان کیلئے اسٹریٹیجک فریم ورک بہتر بنانے، گورننس کی مضبوطی اور مینجمنٹ کی رہنمائی کے کام سونپے گئے ہیں۔

سال کے دوران ایف ایف بی ایل کے بورڈ نے قیادت کی تبدیلی کا سفر کامیابی سے طے کیا۔ میں اس موقع کو غنیمت جانتے ہوئے جناب عارف الرحمان کو ایف ایف بی ایل کا چیف ایگزیکٹو آفیسر کا عہدہ سنبھالنے پر مبارکباد پیش کرتا ہوں و سب سے سب سے تجاربے کیساتھ وہ مختلف امور پر گہری نگاہ رکھتے ہیں۔ میں سکدوش ہونیوالے سی ای او جناب سرفراز احمد رحمان کا بھی شکریہ گزار ہوں، جو ہماری پیرنٹ کمپنی فوجی فریڈائزر کمپنی لمیٹڈ کی سربراہی کریں گے۔

اپنے ماضی کو سامنے رکھتے ہوئے، مستقبل پر نظریں جمائے، اس سے قطع نظر کہ ہمیں کس قسم کے چیلنجز درپیش ہیں، مارکیٹ کے بنیادی اصولوں، اپنے اسٹیک ہولڈرز کے مسلسل اعتماد کیساتھ ہم ترقی کرتے رہیں گے۔ ایف ایف بی ایل کاروبار کی پائیدار اور جامع ترقی کے لیے اپنا کردار ادا کرتا رہے گا۔ ہم ایک روشن کل کی تعمیر کیلئے پرعزم ہیں۔

بسم اللہ الرحمن الرحیم

دقار احمد ملک
چیئرمین

سال 2021، معیشتوں پر وبا کی مرض (کورونا) کے منفی نتائج اور خطرات سے بحالی کا سال ہے۔ کورونا اور اسکی مختلف اقسام سے کئی طرح کے خطرات ابھرے۔ تاہم ان تمام نقصانات اور خطرات کے باوجود تبدیلی کے نئے دور اور سوچ کے نئے انداز کا ظہور ہوا۔ ایف ایف بی ایل کو مستقبل کے چیلنجز سے نمٹنے والا ادارہ بنانے کیلئے، ایف ایف بی ایل کے بورڈ نے مسلسل سوچ بچار جاری رکھی، اور اس نے گورننس سٹرکچر، سرمایہ کاری، حکمت عملی اور آپریشنز بشمول اقدار اور ادارہ کا کلچر جیسے معاملات کو نیا انداز دیا۔ جدت پسندی، ثبات قدمی، کچھنی کو انڈسٹری کا اہم حصہ بنانے اور پاکستان کے لوگوں کی خدمت کرنے اور ٹیم ورک کو اپناتے ہوئے، دیرپا کاروباری ترقی کو تقویت دینے کیلئے بورڈ نے ادارے کا نیا ڈھن، مشن اور اقدار پر مبنی جدید بنیادیں متعارف کرایا۔ ہم نے اپنے لوگوں کو اپنی پالیسیوں کا محور بنایا، جن کے بارے میں ہمیں پختہ یقین ہے کہ آج کے کاروباری ماحول اور مستقبل کی تنظیم سازی میں مقابلہ کیلئے واحد حقیقی ذریعہ ہیں۔ پورے سال کے دوران بورڈ نے بہترین سرگرمیاں جاری رکھیں، موثر فیصلہ سازی اور اس پر عملدرآمد کیلئے مینجمنٹ ٹیم کی مکمل حمایت کی۔

ہماری معیشت نے 3.9 فیصد کی اچھی شرح نمو حاصل کی۔ جس میں زراعت کے شعبے کا حصہ مسلسل 19 فیصد رہا۔ ہماری معیشت میں مستقل اہم شراکت دار ہونے کے باوجود، زراعت کی صنعت کو کئی اہم شعبوں میں سخت چیلنجز کا سامنا کرنا پڑ رہا ہے۔ جو مطلوبہ ترقی حاصل کرنے کیلئے اسکی اہلکار کاوت ہیں۔ یہ آبادی کے لحاظ سے دنیا کے پانچویں بڑے ملک کی غذائی ضروریات پوری کرنے کو خطرے میں ڈال رہے ہیں۔ پاکستان میں آبادی کا پھیلاؤ دو فیصد کی شرح سے ہونا خاصا تشویش ناک ہے۔ کم ہوتا زریکاشت رقبہ، تیزی سے تبدیل ہوتی فارمنگ، ناموزون فارم معاشیات اس شعبے میں انقلابی تبدیلیوں کا تقاضا کرتے ہیں۔ یہ بات غور طلب ہے کہ دنیا میں زراعت کی صنعت میں بہت سی تبدیلیاں رونما ہو چکی ہیں، اور یہ نئے انقلاب میں داخل ہونے کو تیار ہے۔ جس سے ابھرتی ہوئی جدید ٹیکنالوجی بشمول ڈیٹا اور میچر فٹارائنٹ جینی سہولیات میسر ہیں۔

ایف ایف بی ایل، ایک ذمہ دار کمپنی ہے جو بڑے پیمانے پر زرعی پیداوار کو بہتر کرنے اور عمدہ کھاد بنانے کیلئے پرعزم ہے۔ فیصلوں کی پیداوار اور زمین کی زرخیزی بڑھانے کیلئے اسکی تیار کردہ کھادوں کی افادیت مسلمہ ہے۔ ہم اس پر یقین رکھتے ہیں کہ یہ فریڈائزر انڈسٹری کی اجتماعی ذمہ داری ہے کہ وہ زرعی تحقیق کی دنیا کی جدید ترین ٹیکنالوجی کا استعمال کرتے ہوئے اپنے کسانوں کو اکی دلیز تک بہترین پراڈکٹس کی فراہمی ممکن بنائے اور اس وقت اسکے بہترین مواقع میسر ہیں۔

بطور چیئرمین، میں اس امر کو یقینی بنانا جاری رکھتا ہوں کہ بورڈ کمپنی کی دیرپا ترقی اور نشوونما کیلئے اسٹریٹیجک سمت متعین کرنے کیلئے اہداف کو ترجیح دینے اور موثر طریقے سے معاملات چلانے کیلئے تعمیری کردار ادا کر رہا ہے۔ گورننس سے متعلق سرگرمیاں ہمیشہ سرفہرست ہوتی ہیں، جہاں ڈائریکٹرز ایک فعال کردار ادا کرتے ہیں، اور اہم فیصلوں سے پہلے غیر جانبدار آزاد ڈائریکٹر سے، جو اپنے اپنے شعبے کے ماہر ہیں، قیمتی آرا حاصل کرتے ہیں۔

بورڈ نے مشاورت اور بہتر کارکردگی کے لئے کئی کمیٹیاں قائم کی ہیں۔ فیصلہ سازی کیلئے اکی سفارشات پر بورڈ میں مزید غور و خوض کیا جاتا ہے۔ کمیٹیوں کو اسٹریٹیجک اہداف کے حصول کیلئے

Chief Executive Review



As the COVID continued to impact business around the world, we rolled over a sound resilient program in a bid to withstand and move past the crises and to fulfill our responsibility in providing quality crop inputs needed most to grow and produce healthy and nutritious food. We ensured security of our supply networks, built agility in marketing operations and prioritized health and safety at our work places including our production facilities.

The pandemic crises highlighted the importance of world's agriculture industry in food security of nations. This also necessitated our Government to introduce an ambitious Agriculture Transformation Plan during the year aiming to bring reforms in the seed sector, digitalizing the subsidy mechanism, revolutionizing the farm mechanization, revamping extension services and restructuring research institutions. This plan is also critical in keeping pace with growth in food demand and consumption patterns.

Internationally, fertilizer producers scrambled in production due to surging input costs, especially due to increasing gas prices as supplies squeezed. Moreover, in order to ensure availability of fertilizer in their domestic market, some countries including China and Russia imposed fertilizer export quotas. These developments coupled with significant depletion of PKR against USD kept DAP prices surging throughout the year and also led to shortage of UREA in our domestic market towards the year end.

The Company ramped up its production and achieved DAP production at 790 KT representing 7% increase to previous year. On the other hand, Urea production being highly dependent on natural gas supply/ availability, reduced by 10% to 501 KT. Natural gas supplies during the year observed 9% reduction from 19,507 MMSCF to 17,905 MMSCF. Meanwhile, the plant successfully achieved 22.48 Million Safe Man-Hours without any Loss Time Injury (LTI) as Company remains committed to Healthy and Safe work environment.

Domestic DAP market is estimated at 1,885 KT with 14% decline as compared to previous year, whereas the Company successfully increased

its DAP market share by 1% to 42%. Domestic Urea market is estimated at 6,343 KT with a slight increase of 5% as compared to previous year. The Company's market share in Urea market observed slight reduction of 1% to 8% as production decreased due to lesser natural gas supplies during the year.

FFBL successfully completed sale of its equity investment in Foundation Wind Energy-I Limited and Foundation Wind Energy-II Limited to Fauji Fertilizer Company Limited at a gain of PKR 2.8 Billion realizing proceeds of PKR 5.3 Billion. FFBL also restructured its investment in Fauji Foods Limited through conversion of loan into equity. Moreover, FFBL Foods Limited was successfully merged in FFBL. Accordingly, all assets and liabilities of FFBL Foods Limited were vested into FFBL effective 01 October 2021.

Amid surging fertilizer prices in domestic market, especially that of DAP, the Company managed to achieve revenue of PKR 110 Billion. Whereas, operational excellence coupled with reduction in finance cost and better returns from investments resulted in achieving net-profit of PKR 6.4 Billion (2020: PKR 2.2 Billion). On the back drop of healthy cash generation and efficient working capital management, the Company significantly improved its capital structure. Moreover, the long-term credit rating of the Company was upgraded from A+ (single A plus) to AA- (double A minus), which signifies high credit quality and strong protection factors. FFBL's short-term rating is A-1 (A minus one), which denotes high certainty of timely payments, excellent liquidity factors supported by good fundamental protection factors.

In the meantime, receivables from the Government continue to surge and stood at PKR 16 Billion comprising GST refundable at PKR 13 Billion and subsidy receivable at PKR 3 Billion since 2016.

Our subsidiaries also performed well and delivered better results. FFBL Power Company Limited delivered steady profits of PKR 3.63 Billion (2020: 3.80 Billion). Fauji Foods Limited posted a topline growth of 16.45% i.e. revenue increase from PKR 7.37 Billion to PKR 8.59 Billion in 2021, and managed to achieve PKR

0.921 billion of gross profit (2020: PKR 0.062 billion) and posted significantly reduced net loss of PKR 1.29 Billion (2020: 3.06 Billion). FML reported a loss of PKR 1 Billion (2020: PKR 1.5 Billion), representing a 33% reduction due to extensive optimization in operations. Pakistan Maroc Phosphor, S.A., our associated Company, reported profit of USD 62 Million during nine months period ended September 2021 (2020: USD 18 Million).

FFBL is a purpose-oriented organization whose mission resonates with its people, intellectually and emotionally. Our people feel privileged and take pride in being associated with an organization which is leading in meeting the nutrition demands of our communities. In today's transformed business environment where access to other resources is relatively easy, the scarcest form of capital is the human capital. Therefore, in order to ensure diverse, inclusive, energizing and thriving environment, we have embarked on a journey to transform our Human Capital function and are monitoring the developments with the rigor of no less than any other strategy.

Looking ahead, with Government focused on development of agriculture sector, increasing demand of agriculture produce and improving farm economics, we believe that FFBL is best positioned to continue feeding our communities and capitalize on opportunities.

Arif-ur-Rehman
Chief Executive Officer

چیف ایگزیکٹو کا جائزہ

اعلیٰ تین کی نشاندہی کرتی ہے۔ بہترین لیکویڈیٹی عوامل جو کہ بنیادی تحفظ کے اچھے عوامل سے مطابقت رکھتے ہیں۔

سال کے اختتام پر حکومت سے قابل وصول رقم 16 ارب روپے کو جا پہنچی، جس میں 13 ارب روپے جی ایس ٹی ریفرنڈم کے ہیں، جبکہ تین ارب روپے کی سبسڈی ہے۔

ہمارے ذیلی ادارے بھی بہترین کام کرتے رہے اور اچھی کارکردگی دکھائی۔ FFBL Power Company Limited نے 3.63 ارب روپے (2020 میں 3.8 ارب روپے) کا خالص منافع کمایا۔ FFL نے 16.45 فیصد اضافے کے ساتھ زبردست پیداوار حاصل کی، جس سے اسکی آمدن 2021 میں 7.37 ارب روپے سے بڑھ کر 8.59 ارب روپے تک جا پہنچی، FFL نے مجموعی منافع کی مد میں 0.921 ارب روپے کمائے (2020 میں 0.062 ارب روپے)، FFBL کا خالص نقصان 2020 کے 3.06 ارب روپے کے مقابلے میں نمایاں کمی کے ساتھ 1.29 ارب روپے رہا۔ ایف ایم ایل نے آپریشنل معاملات میں اصلاحات کی وجہ سے 33 فیصد کمی کے ساتھ ایک ارب روپے کا نقصان کیا جو 2020 میں 1.5 ارب روپے تھا۔ PMP نے ستمبر 2021 تک نومبر کے دوران 62 ملین امریکی ڈالر کا نفع کمایا (2020 میں 18 ملین ڈالر نفع تھا)۔

ایف ایف بی ایل مقصدیت پر مبنی ادارہ ہے، جس کا مشن فکری اور جذباتی طور پر اپنے لوگوں سے جڑنا ہے۔ ہمارے لوگ اپنے اس ادارے کے ساتھ منسلک ہونے پر فخر محسوس کرتے ہیں، جو ہمارے لوگوں کی غذائی ضروریات کو پورا کرنے کیلئے مصروف عمل ہے۔

آج کل کے بدلے ہوئے کاروباری ماحول میں جہاں دوسرے وسائل تک رسائی نسبتاً آسان ہے، سرمائے کی سب سے نایاب قسم افرادی قوت ہے۔ اسی لیے متنوع، جامع، توانائی سے بھرپور اور فروغ پذیر ماحول کو یقینی بنانے کیلئے، ہم نے اپنی افرادی قوت کے افعال کو تبدیل کرنے کا سفر شروع کر دیا ہے اور ہم اس پر ہونے والی پیشرفت پر بغور نظر رکھتے ہوئے ہیں۔

حکومت زرعی شعبے کی ترقی، زرعی اجناس کی مسلسل بڑھتی ہوئی طلب اور فارمز آکناس بہتر بنانے کیلئے حکمت عملی اپنائے ہوئے ہے اور ہم سمجھتے ہیں کہ ایف ایف بی ایل ایسا ادارہ ہے جو اس وقت لوگوں کی، ہماری کمیونٹری غذائی ضروریات پوری کرنے کیلئے کوشاں ہے تاکہ ترقی کے نئے مواقع دستیاب ہو سکیں۔

Adeel

عارف الرحمان
چیف ایگزیکٹو آفیسر

کاروباری وجہ سے دنیا بھر میں کاروباری سرگرمیاں متاثر ہیں، تاہم ہم نے اپنی ذمہ داریوں کا احساس کرتے ہوئے اس بحران سے ششماں اور صحت مند اور غذائیت سے بھرپور اناج اگانے کے لئے ایک مضبوط پروگرام مرتب کیا۔ ہم نے اپنے سپلائی چین نیٹ ورکس کی یقینی حفاظت، مارکیٹنگ کی موثر حکمت عملی اپنانے اور پیداواری سہولیات سمیت اپنی کام کی جگہوں پر صحت اور سیفٹی معیار کو ترجیح دی۔

وہائی بحران نے اقوام عالم کے غذائی تحفظ کے لئے دنیا کی زرعی معیشت کی اہمیت کو اجاگر کیا۔ ہماری حکومت کو سال کے دوران زرعی تبدیلی کا ایک بھرپور منصوبہ متعارف کرانے کی ضرورت کا احساس ہوا، جس کا مقصد بیج کے شعبے میں اصلاحات لانا، سبسڈی کے طریقہ کار کو ڈیجیٹل بنانا، فارمز کے نظام میں انقلاب لانا، توسیعی خدمات کی اصلاح اور تحقیقاتی اداروں کی تشکیل نو ہے۔ یہ منصوبہ خوراک کی طلب میں اضافے اور پیداواری رفتار برقرار رکھنے کے لئے بھی اہمیت کا حامل ہے۔

عالمی سطح پر کھاد کی پیداواری لاگت، خصوصاً گیس کی قیمت میں اضافے کی وجہ سے کھاد کی پیداوار میں نمایاں کمی نظر آئی۔ مزید برآں چین اور روس سمیت کچھ ممالک نے کھاد کی اپنی مقامی ضروریات کو پورا کرنے کیلئے برآمدات میں کمی کی۔ ان عوامل اور سال رسال روپے کی قدر میں نمایاں اور مسلسل تنزلی کی وجہ سے ڈی اے پی کی قیمتوں میں اضافے کا رجحان رہا اور سال کے آخر میں یورپ کی قلت پیدا ہوئی۔

کمپنی نے اپنی پیداوار میں اضافہ کیا اور DAP کی پیداوار 790 KT حاصل کی جو پچھلے سال کے مقابلے میں 7 فیصد زیادہ ہے۔ دوسری طرف، یورپ کی پیداوار قدرتی گیس کی فراہمی / دستیابی پر بہت زیادہ منحصر ہونے کے باعث، 10 فیصد کمی کے ساتھ 501 KT ہو گئی۔ سال کے دوران قدرتی گیس کی فراہمی میں 19,507 MMSCF سے 17,905 MMSCF تک 9 فیصد کمی دیکھی گئی۔ اس دوران، پلانٹ نے بغیر کسی نقصان (LTD) کے 22.48 ملین سیف مین آؤرز کامیابی سے حاصل کیے کیونکہ کمپنی صحت مند اور محفوظ کام کے ماحول کے لیے پرعزم ہے۔

مقامی ڈی اے پی مارکیٹ اس وقت کم از کم 1,885 KT ہے جس میں پچھلے سال کی نسبت 14 فیصد کمی کی کمی ہوئی جبکہ ہماری کمپنی نے ڈی اے پی مارکیٹ میں اپنا شئیر کامیابی کیساتھ ایک فیصد بڑھا کر 42 فیصد تک کر دیا۔ مقامی پوریا مارکیٹ کا تخمینہ 6,343 KT ہے، جس میں پچھلے سال کی نسبت پانچ فیصد کا اضافہ ہوا۔ پوریا مارکیٹ میں کمپنی کا شئیر ایک فیصد کمی کے ساتھ 8 فیصد ہے، قدرتی گیس کی سپلائی میں کمی کی وجہ سے یورپ کی پیداوار میں کمی واقع ہوئی ہے۔

ایف ایف بی ایل نے کامیابی کے ساتھ FWEL - I & II میں اپنی سرمایہ کاری 5.3 ارب روپے میں فوجی خریداں کمپنی کو فروخت کی اور 2.8 ارب روپے کا منافع کمایا۔ ایف ایف بی ایل نے FFL میں اپنے قرض کو ایکویٹی میں تبدیل کیا۔ اکتوبر 2021 سے FFBL Foods Limited کو ایف ایف بی ایل میں ضم کر دیا گیا۔

مقامی مارکیٹ میں کھادوں بالخصوص یورپ کی بڑھتی قیمتوں کے باوجود کمپنی ریکارڈ منافع کمائے میں کامیاب رہی، آپریشنل معاملات میں بہتری سمیت کاروباری اخراجات میں کمی اور سرمایہ کاری سے بہترین منافع کی بدولت کمپنی کو 6.4 ارب روپے (سال 2020 میں 2.2 ارب روپے) کا خالص منافع ہوا۔ نقد رقم کی بہترین دستیابی اور موثر ورکنگ کیپٹل مینجمنٹ کے تناظر میں، کمپنی اپنے سرمائے کے اسٹرکچر میں نمایاں بہتری لائی۔ مزید برآں، کمپنی کی طویل مدتی کریڈٹ ریٹنگ کو A+ (سنگل اے پلس) سے AA- (ڈبل اے مائنس) میں اپ گریڈیشن ملی۔ جو اعلیٰ کریڈٹ کوالٹی اور ٹھوس تحفظ کے عوامل کی نشاندہی کرتی ہے۔ ایف ایف بی ایل کی قلیل مدتی درجہ بندی A- (سنگل اے مائنس) ہے، جو بروقت ادائیگیوں کے



Financial Capital

Economic Overview

Amid persistence of COVID-19 in Financial Year 2021 (FY 2021), our economy has fairly recovered from a dip of last year as GDP achieved 3.9% growth. All primary sectors of the economy performed well while contributing their share in our economy, agriculture and industrial sector contributed 19% each as share from services sector increased to 62%. Every sector achieved healthy growth, agriculture sector grew by 3%, services sector by 3.6% and industrial sector by 4.4%.

Subsequent to release of Pakistan Economic Survey, in January 2022, the Government revised its estimated GDP growth from 3.9% to 5.37% quoting strong industrial growth in last quarter of FY 2021.

Looking ahead in FY 2022, Pakistan's economy is expected to continue improving and achieve 5% GDP growth anticipating stronger private investment, improving business activity, a steady vaccine rollout and economic stimulus measures from the Government.



Agriculture Sector

Agricultural sector is indispensable to the country's economic growth, food security, employment generation and poverty alleviation particularly, at the rural level. It provides employment to around 39% of the labour force and more than 70% of the population depends on agriculture for its livelihood. Agriculture sector in Pakistan broadly consist of crops (36%), livestock (60%) and forestry and fisheries (4%).

The agriculture sector's performance during 2020-21 stands encouraging as it achieved 3% growth backed by 4.5% growth in important crops consisting of wheat, cotton, rice, sugarcane and maize, and 3% growth in livestock. Impressive growth in agriculture sector is attributable to better weather and improved production system spurred by the Prime Minister's Agriculture Package and increase in minimum support prices of wheat and sugarcane.

Financial Capital

Government introduced ambitious Agriculture Transformation Plan during the year which aims to bring reforms in the seed sector, digitalizing the subsidy mechanism, revolutionizing the farm mechanization, revamping extension services and restructuring research institutions.

Looking ahead, with technical and financial support from the Government and growing nutrition demand coupled with changing consumption patterns, agriculture sector is all set to achieve impressive growth in future.

Fiscal Development

Global fiscal deficit was projected at 9.2% of GDP in FY 2021.

Pakistan was able to contain its fiscal deficit to 3.5% of GDP in FY 2021 as compared to 4.1% deficit in FY 2020. Reduction in fiscal deficit was achieved on the backdrop of primary balance improvement, increased tax revenue collections and control measures restricting overall expenditure.

Money and Credit

The State Bank of Pakistan proactively reduced the policy rate to 7 percent during last quarter of FY 2020 keeping in view the economic implications of COVID-19. Continuing the same approach and in order to promote economic activity, growth and employment, the State Bank of Pakistan maintained its policy rate at 7% during FY 2021.

However, subsequently, during the period July to December 2021, policy rate was gradually increased to 9.75% to counter the increase in inflation pushed up by prices of transport, food & non-alcoholic beverages, housing and utilities.

Inflation

The headline inflation measured by the Consumer Price Index (CPI) was recorded at 8.6% during FY 21 as against 11.2% percent during the same period last year. Whereas, wheat prices rose by more than 24 % in April 2021 over April 2020 due to supply disruption.

Subsequently, during the period July to December 2021, the inflation increased to 11.5% mainly due to increasing prices of transport, food & non-alcoholic beverages, housing & utilities.

Demographics

Pakistan is the 5th largest country in the world in terms of population. Total population in Pakistan is expected to have reached 215.3 Million at growth rate of 1.8%.

There is a continuous shift of migration of population from rural to urban areas. As per latest estimates 56% of population resides in rural areas and 44% resides in urban areas.

FFBL Performance

As COVID-19 persisted in 2nd consecutive year and posed twin threats to lives and



livelihood, we stepped up and rapidly adapted our strategies to address both the challenges and the opportunities created by the crisis. Our organization adapted to protect our employees, production facilities, supply networks, marketing operation and to continue serving our communities as food security was vital than ever.

Internationally, fertilizer prices kept on increasing throughout the year and recorded highest ever increase since global financial crises of 2008-2009. This increase in international prices is attributable to the rising gas and energy costs, production cuts, supply curtailment and impact of trade policies of various fertilizer producing and exporting countries.

Urea Market Analysis

The international Urea market has experienced consistent elevation in prices throughout the year from USD 285 per ton to USD 973 per ton (FOB Ex-Arabian Gulf) towards the end of year, representing a massive 241% increase. The continued surge in prices was due to a series of factors affecting individual markets at the same time. While it is hard to pick one of these as the real origin of this cycle-within-the-cycle, perhaps,

the clearest one is the gas price crisis that affected Europe.

Prices of nitrogenous fertilizer (Urea) remained stable in Pakistan, with a modest increase of 5% as Government ensured supply of natural gas to fertilizer plants at a reasonable price.

Pakistan meets its Urea requirement through domestic production. The current year started on a positive note with the market tilted towards balanced supply situation. Improved farm economics and rising international fertilizer price trend kept market and end users interested in buying throughout the year. With increasing DAP prices in local market and stable Urea prices, the farmers preferred applying Urea over phosphatic fertilizer (DAP) and this shift led to comparative low availability of Urea towards the year end. In order to fill the gap, the Government floated a tender for import of 100 KT of Urea but it failed to find any supplies in the international market.

The Company's production and sales during the year in comparison to previous year are as under:

Urea	Year 2021	Year 2020	% Variance
Production	501,236	558,932	-10%
Sales	501,136	559,332	-10%
Market Share	8%	9%	-1%

The Company's Urea production decreased by 10% during the year due to volatile gas availability (8% lower gas availability as compared to last year) and dynamics of production facilities. Domestic Urea market increased by 5% from 6,039 KT to 6,343 KT. Whereas, the Company's Urea market share decreased by 1% from 9% to 8% due to lower production and availability.

DAP Market Analysis

DAP prices also continued their bullish run throughout the year in the International market. Export restrictions from China and Russian governments to meet their domestic requirements impacted international export availability leading to supply shortages and exorbitant price increase globally. DAP price rose to a level of USD 915 (CFR Pakistan) per ton at end of 2021 as compared to USD 376 per ton at the close of previous year, representing 143% increase. Increasing international fertilizer prices coupled with weakening of Pak Rupee against USD led to surge in price of DAP in our domestic market.

Pakistan fulfils around 60% of its requirements through imports and 40% through indigenous production of DAP. Upward price trend in domestic market encouraged dealers to invest in phosphate products. Whereas,

Financial Capital

DAP	Year 2021	Year 2020	% Variance
Production	790,415	739,968	7%
Sales	790,196	926,273	-15%
Market Share	42%	41%	1%

continued rupee devaluation and higher DAP prices affected the consumption at farmers' level. However, Continuous subsidy disbursement on DAP by Government of Punjab through "Kissan Card" and distribution of "Kissan Card" by Government of KPK has provided slight relief to the farming community.

The Company's production and sales during the year in comparison to previous year is as under:

The Company's DAP production increased by 7% during the year. Domestic DAP market is estimated to have decreased from 2,192 KT to 1,885 KT representing 14% decline. Whereas, the Company was successful in increasing its market share to 42%.

The Company put in best efforts to ensure availability and supply of fertilizer to farming community which resulted in achieving revenue generation of PKR 110 Billion. At the same time, the Company remained focused on finding synergies in operations, cost reductions and evaluation of its investments. Efficient management of working capital and decrease in policy rates resulted in achieving significant

reduction in finance cost. The Company successfully completed sale of equity investment in Foundation Wind Energy-I Limited and Foundation Wind Energy-II Limited realizing proceeds of PKR 5.3 Billion and capital gain of PKR 2.8 Billion. As a result, the Company achieved net profitability of PKR 6.4 Billion while playing its part to increase the production potential of our land at a time when it was most needed.

Financial Position Analysis

Equity analysis

Company's share capital and reserves representing the net worth increased from PKR 14 Billion to PKR 20 Billion as the Company earned impressive profits in second consecutive year after facing a turbulent year. Net profit earned during 2021 amounts to PKR 6.4 Billion. Resultantly, break-up value increased by 18% to PKR 15.88 per share from PKR 13.49 per share.

Liabilities analysis

Liabilities posted an increase of PKR 18 Billion primarily due to the following:

- I. Net-borrowings reduced by PKR 3 Billion as the Company arranged new loan of PKR 4 Billion and made repayment of PKR 7 billion from existing loan;
- II. Trade and other payables increased by PKR 21 Billion

as payable on account of creditors, primarily against phosphoric acid purchases, increased by PKR 17 Billion and advances received from customers increased by PKR 4 Billion;

Assets analysis

Assets posted an increase of PKR 27 Billion primarily due to the following:

- I. Stock in trade increased by PKR 6 Billion due to in-transit phosphoric acid shipments;
- II. Sales tax refundable increased by PKR 4 Billion due to reduced sales tax rate of 2% applicable on sale of fertilizer and higher sales tax rate applicable on purchases. The Federal Board of Revenue is not processing refund claims, awaiting allocation of subsidy by the Government of Pakistan.

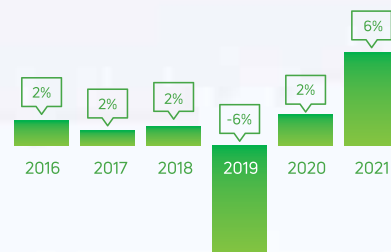
Government had introduced indirect subsidy on fertilizer in 2017 by reducing sales tax rate applicable on sale of fertilizer from 17% to 2% without corresponding reduction in

sales tax rate applicable on purchases];

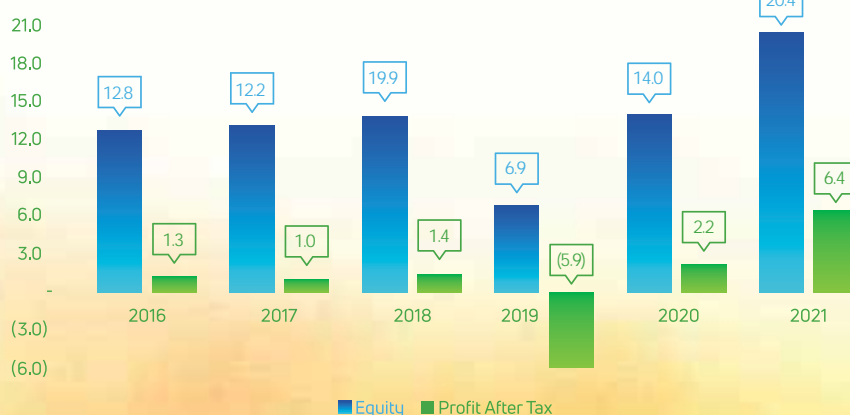
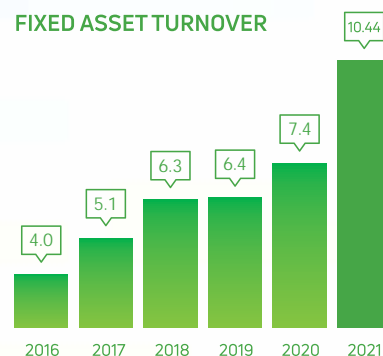
- III. Cash and bank balances together with short term investments increased by PKR 21 Billion on the backdrop of consistent and healthy cash generation throughout the year;

- IV. On the other hand, Investments made by the Company reduced by PKR 3 Billion primarily as the Company successfully completed sale of investment in Foundation Wind Energy-I Limited and Foundation Wind Energy-II Limited during the year.

RETURN ON TOTAL ASSETS



FIXED ASSET TURNOVER



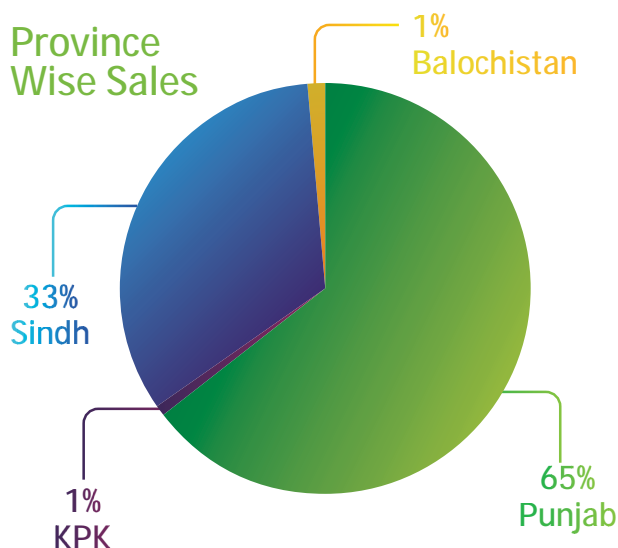
■ Equity ■ Profit After Tax

Financial Capital

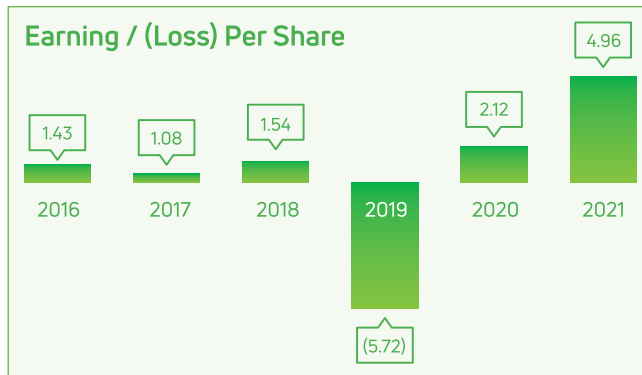
Profit or Loss Analysis

Rs. in Million		
Description	31-Dec-2021	31-Dec-2020
Sales- net	110,452	83,234
Cost of sales	(88,301)	(70,655)
Gross profit	22,152	12,579
Distribution expenses	(5,640)	(5,286)
Administrative expenses	(1,601)	(1,255)
Operating profit	14,911	6,038
Finance costs	(2,338)	(4,444)
Other expenses	(2,548)	(312)
Other income	9,111	5,184
(Unwinding)/ Provision for GIDC	(1,254)	2,741
Allowance for expected credit losses	(4,254)	(232)
Impairment of equity investment	(2,103)	(4,082)
Profit before taxation	11,525	4,893
Taxation	(5,134)	(2,700)
Profit after taxation	6,391	2,192
Earnings per share	4.96	2.12

Province Wise Sales



Earning / (Loss) Per Share



Based on timely pricing decision and marketing strategy, the Company liquidated all its production during the year resulting 33% increase in net revenue.

Sona DAP turnover stood at PKR 96 billion, 43% higher than last year. Due to stability in Sona Urea prices, there was no significant change in Sona Urea revenue and it stood at 17 billion, 6% lower than last year.

Due to consistent hike in Phosphoric Acid prices throughout the year, Cost of sales has witnessed an increase of 25% as compared to last year.

Based on effective marketing and cost management strategy, the Company achieved 5% increase in gross profit margin from 15% in previous year to 20% in current year. Gross Profit increased by PKR 9 Billion to PKR 22 Billion from PKR 13 Billion, representing 76% increase in gross profit.

Distribution cost of PKR 5.6 billion was 7% higher than last year mainly on account of increase in fuel prices besides effective cost controls implemented by the Company during the year.

Company kept control on these expenses, increase in expenses represents increased operational activities and inflationary pressure.

Efficient working capital management coupled with lower interest rates (despite hike in rates in last quarter) decreased finance cost by PKR 2.1 billion compared to 2020.

Increase of PKR 2.2 Billion in other expenses is primarily due to increase in exchange loss by PKR 1.5 Billion as Pak Rupee continued to depreciate against USD throughout the year. Moreover, consequent to increased profitability, WPPF and WWF also increased by PKR 700 Million.

Increase of PKR 4 Billion in other income primarily relates to a gain of PKR 2.8 billion arising on sale of equity investment in Foundation Wind Energy - I Limited and Foundation Wind Energy - II Limited. Moreover, efficient short-term investments resulted in increased interest income of PKR 700 Million.

This represent notional expense recorded in accordance with applicable financial reporting standards. The Company unwinded/ reversed partial temporary gain recorded in previous year on GIDC liability which was remeasured consequent to the judgement of Supreme Court of Pakistan.

Increase represent allowance for expected credit loss booked on sub-ordinated loan together with accrued mark-up from Fauji Meat Limited and subsidy receivable from the Government in accordance with applicable financial reporting standards.

This represent impairment of equity investment in Fauji Meat Limited in accordance with applicable financial reporting standards.

Tax expense is recorded in accordance with applicable tax laws and is consequent to increase/ decrease in abovementioned components.

The aforementioned components translated into net profit of Rs 6.4 billion returning earning per share of PKR 4.96 for 2021 as compared to PKR 2.12 for last year.

Cash Flow Analysis

Rs. in Million

	2021	2020
Profit before tax	11,525	4,893
Adjustment for non- cash and other items	5,596	3,444
Changes in working capital	12,327	23,143
Finance cost paid	(2,557)	(4,961)
Income tax paid	(3,641)	(911)
Payment in lieu of employee benefits and WPPF	(949)	(176)
Net cash generated from operating activities	22,300	25,432
Fixed capital expenditures and advances	(344)	(742)
Proceed from sale of long-term investment	5,256	384
Dividend received from related parties	4,118	3,076
Long-term loan disbursed	(5,133)	(6,490)
Short-term investments - net	(8,319)	9
Profit received on bank balances, term deposits, sub-ordinated loans and guarantee fee	1,286	591
Others	79	132
Net cash used in investing activities	(3,057)	(3,040)
Long-term loans - draw downs	5,500	8,450
Long-term loans - repayments	(6,817)	(4,567)
Advance against equity	90	4,886
Short-term borrowings - net	(2,250)	(8,500)
Dividend paid	-	(2)
Net cash (used in) / generated from financing activities	(3,477)	267
Net increase in cash and cash equivalents	15,766	22,659
Cash and cash equivalents at the end of beginning of year	13,676	(8,983)
Cash and cash equivalents at the end of year	29,442	13,676

Net cash generation from operating activities amounted to PKR 22.3 Billion with PKR 3 Billion reduction as compared to previous year. This reduction is primarily attributable to cash stuck in continuously rising sales tax refunds and the Government's decision to withdraw exemption from payment of income tax on imports resulting increased tax deductions/ payments.

Investing activities mainly comprise of investments in subsidiaries and associates by way of loan and equity. The investments during the year has been in line with the Company's approved investment policies and duly approved by investment committee.

The Company realized PKR 5 Billion cash from sale of wind projects and further PKR 4 Billion as a dividend from equity investments and PKR 1 Billion return from bank balances and term deposits etc. Moreover, the Company rendered PKR 5 Billion long term loans and also invested PKR 8 Billion in short term investments. Resultantly, net cash invested in investing activities amounted to PKR 3 Billion.

Financing activities mainly comprise transaction with the financing providers to the Company. During the year, the Company made net repayment of long-term loan amounting to PKR 1.3 Billion. Moreover, due to better cash generation from operation in 2nd consecutive year the Company's short-term borrowings utilization reduced by PKR 2.2 Billion. As such, financing activities resulted in net cash utilization of PKR 3.5 Billion.

The Company closed the year with surplus cash of PKR 29 Billion on the backdrop of better operational performance and timely collection from customers throughout the year. Moreover, the cash utilization was also optimal in paying off loans and limiting reliance on short term borrowing which shall also result in increased profitability in coming years.

Direct Method Cash Flow

Rs. in Million

	2021	2020
Cash Flows from Operating Activities		
Cash receipts from customers-net	114,970	94,139
Cash paid to suppliers / service providers and employees-net	(85,523)	(62,660)
Finance cost paid	(2,557)	(4,961)
Taxes paid	(3,641)	(911)
Payment to Gratuity Fund	(53)	(108)
Compensated absences paid	(134)	(67)
Payment to workers' (Profit) Participation Fund	(762)	-
Net cash generated from operating activities	22,300	25,432
Cash Flows from Investing Activities		
Fixed capital expenditure & advances	(344)	(742)
Cash and cash equivalent acquired on amalgamation	26	-
Long term Investment - receipts	5,256	384
Dividend received	4,118	3,076
Short term investment	(8,319)	10
Long term loan	(5,133)	(6,490)
Profit on bank balances	1,309	591
Proceeds from sale of fixed assets	30	132
Net cash used in investing activities	(3,057)	(3,040)

Rs. in Million

	2021	2020
Cash Flows from Financing Activities		
Long term financing	(1,317)	3,883
Advance against equity	90	4,886
Short term borrowings	(2,250)	(8,500)
Dividend paid	-	(2)
Net cash (used in) / generated from financing activities	(3,477)	267
Net increase in cash and cash equivalents	15,766	22,659
Cash and cash equivalents at beginning of the period	13,676	(8,983)
Cash and cash equivalents at end of the period	29,442	13,676

Financial Capital

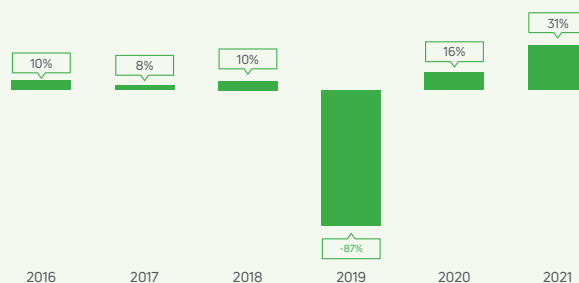
SIX YEAR FINANCIAL RATIOS

FINANCIAL PERFORMANCE		2021	2020	2019	2018	2017	2016
Profitability Ratios							
Gross profit ratio	(%)	20.06	15.11	8.80	13.30	11.43	2.71
EBITDA margin to sales	(%)	13.42	12.33	4.48	9.21	9.45	11.70
Operating leverage ratio	Ratio	0.18	0.49	0.09	0.17	0.28	0.27
Net profit to sales	(%)	5.79	2.63	(8.86)	2.34	1.90	2.97
Return on equity	(%)	31.28	15.71	(86.64)	10.34	7.64	10.49
Return on capital employed	(%)	17.43	7.46	(28.71)	4.79	3.46	4.57
Return on shareholder fund	(%)	49.50	15.41	(63.38)	15.38	10.75	14.33
Liquidity Ratios							
Current ratio	(Times)	1.09	1.02	0.74	0.88	0.84	0.98
Quick / Acid test ratio	(Times)	0.94	0.92	0.49	0.71	0.71	0.82
Cash and cash equivalent to current liabilities	%	67%	53%	9%	30%	48%	48%
Cash flow from operating activities to sales	%	20%	31%	-25%	-11%	23%	-1%
Cash flow to capital expenditure	(Times)	45.89	30.54	(3.96)	(9.04)	(0.77)	0.94
Cash flow coverage ratio	(Times)	0.70	0.67	(0.36)	(0.19)	0.42	(0.01)
Activity / Turnover Ratios							
Inventory turnover	(Times)	15.70	8.02	5.97	14.20	21.82	12.55
Inventory turnover	(Days)	23	46	61	26	16.73	29
Debtors turnover	(Times)	126.19	16.22	9.33	18.30	23.29	19.79
Debtors turnover	(Days)	3	23	39	20	15.67	18
Creditors turnover	(Times)	4.89	3.50	1.88	2.57	3.66	4.88
Creditors turnover	(Days)	75	104	194	142	100	75
Total assets turnover	(Times)	0.96	0.91	0.73	0.77	0.80	0.71
Fixed assets turnover	(Times)	10.44	7.40	6.41	6.31	5.06	3.98
Operating cycle	(Days)	(48)	(77)	(94)	(96)	(67)	(27)

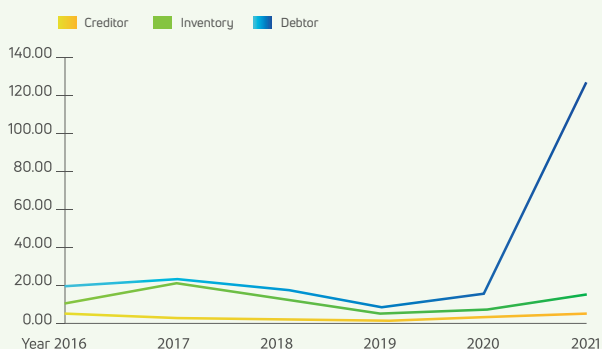
Current Ratio



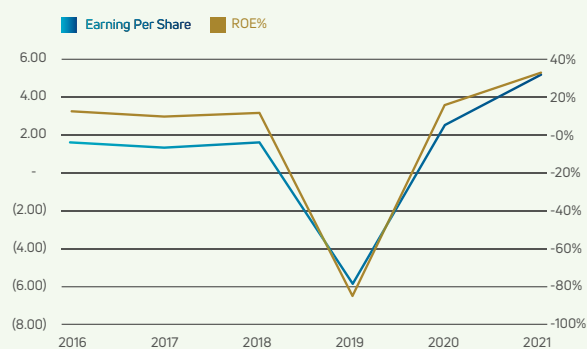
ROE %



Turnover Ratio

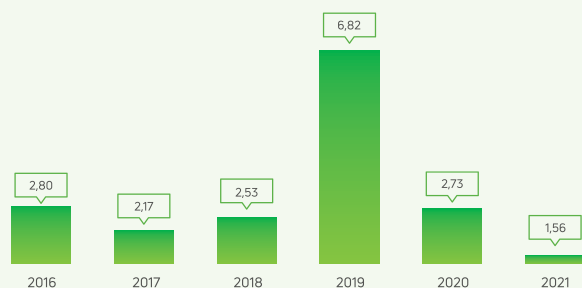


EPS vs ROE%

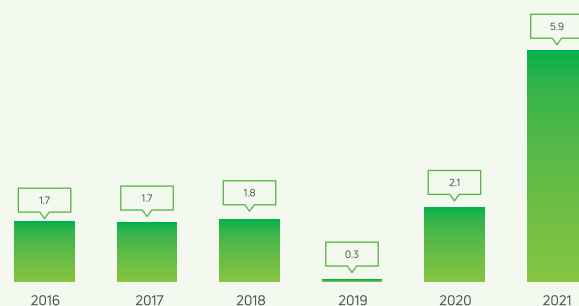


FINANCIAL PERFORMANCE		2021	2020	2019	2018	2017	2016
Investment / Market Ratios							
Earnings per share (pre-tax)	(Rs)	8.94	4.73	(3.74)	1.94	1.54	1.71
Earnings per share (after-tax)	(Rs)	4.96	2.12	(6.34)	1.54	1.08	1.43
Diluted EPS	(Rs)	4.96	2.12	(6.34)	1.54	1.08	1.43
Price earning ratio	(Times)	5.00	11.94	(3.08)	24.20	32.91	35.81
Dividend yield ratio	(%)	-	-	-	2.68	2.39	0.98
Dividend payout ratio	(%)	-	-	-	64.94	78.70	34.97
Dividend cover ratio	(%)	-	-	-	154.00	127.06	286.00
Dividend per share - Interim	(Rs)	-	-	-	-	0.10	-
Dividend per share - Proposed Final	(Rs)	-	-	-	1.00	0.75	0.50
Market price per share							
- Year end	(Rs)	24.78	25.32	19.52	37.27	35.54	51.21
- High during the year	(Rs)	29.15	27.45	44.20	45.65	59.60	57.98
- Low during the year	(Rs)	20.22	11.56	14.35	30.62	31.55	45.51
Break up value/Net assets per share	(Rs)	15.86	13.49	7.32	14.88	14.08	13.66
Price to book ratio	(%)	0.12	0.18	0.29	0.27	0.27	0.40
Capital Structure Ratios							
Financial leverage ratio	Ratio	1.56	2.73	6.82	2.53	2.17	2.80
Weighted average cost of debt	(%)	8.25	10.54	12.45	7.48	6.61	6.43
Debt : Equity	Ratio	51:49	61:39	73:27	60:40	59:41	60:40
Interest cover ratio	(Times)	5.93	2.10	0.26	1.81	1.74	1.74
Others							
Spares Inventory as % of Assets Cost	(%)	2	2	3	3	4	4
Maintenance Cost as % of Operating Expenses	(%)	1	2	2	3	2	2

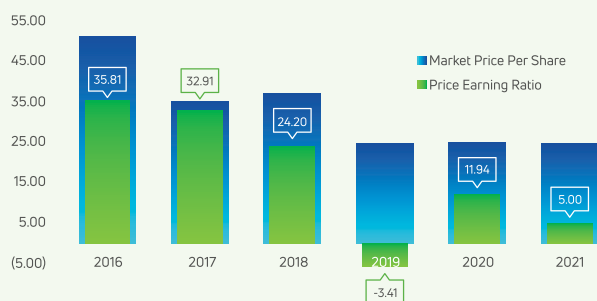
Financial Leverage



Interest Cover



Market Price vs PE Ratio



EPS vs DPS



Financial Capital

Six Year Ratio Analysis

Profitability Ratios

The Company was able to achieve net profit margin of 6% in 2021 in the past six years primarily due to increased turnover based on an efficient pricing decision, marketing strategy and effective cost reduction steps. Moreover, efficient management of working capital and decrease in policy rates resulted in achieving significant reduction in finance cost. The Company also realized a gain of PKR. 2.8 billion on disposal of its equity investment in wind projects.

Liquidity Ratios

Current ratio of 1.09 times remained highest in the last six years average, mainly on back of significant cash sales and efficient inventory management. Noteworthy improvement in cash to current liabilities ratio recorded at 0.67 times as compared to 0.53 times recorded last year.

Activity / Turnover Ratios

Debtor turnover at 3 days was the lowest for the last six years because of high cash sales and better recoveries. However, as the Company was able to offload most of its fertilizer stock during the year, inventory turnover days reduced to 23 days compared to last six-year average of 34 days.

Creditor turnover days have declined to 75 days compared to 104 days last year as the long-term portion of GIDC payable was classified to non-current liabilities and remained lowest than six-year average of 114 days.

Consequently, the Company's operating cycle clocked at negative 48 days compared to negative 66 days on six-year average.

Investment / Market Ratios

Earnings per share stood at PKR 4.96 for the year ended 2021, a 234% increase over the last year on account of rising profitability due to boost in sales revenue during the year.

FFBL's share traded on PSX between a range of PKR 20.22 and PKR 29.15 during the year whilst closing at PKR 24.78 at the year-end, slightly lower by PKR 0.54 compared to last year.

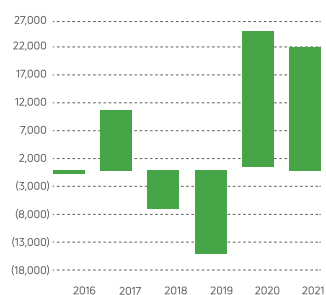
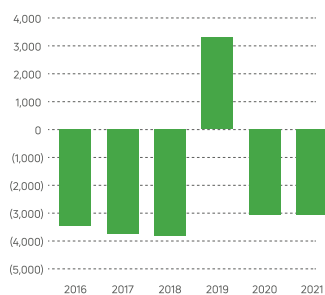
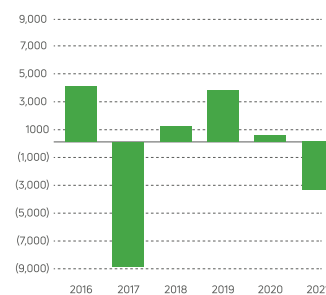
The breakup value per share of the Company was logged in at PKR 15.86 for 2021, considerably higher than the six years' historic average of PKR 13.12, both representing a stable trend. Further, the price to earnings ratio has averaged at 17.8 times over the last six years up to 2021.

Capital Structure Ratios

Financial leverage ratio has decreased significantly and stood at 1.56 times remained in line with last year whereas Debt to equity ratio decreased to 51:49 significantly improved in comparison with debt to equity ratio of 61:39 recorded in 2020. Significant decrease in finance cost owing to efficient working capital management and lower interest rates led to interest cover ratio being logged in at 5.93 times, higher by 4.01 times from six years' historic average of 1.92 times.

Rs in Million

	2021	2020	2019	2018	2017	2016
Summary of Balance Sheet						
Shareholders' equity	20,431	13,959	6,834	13,897	13,151	12,757
Capital employed	36,664	29,384	20,626	29,981	28,484	29,299
Property, plant & equipment	10,575	11,252	10,428	9,748	10,405	11,298
Total non - current assets	39,803	42,871	39,835	36,893	34,892	31,480
Working capital	6,324	1,044	(17,630)	(5,963)	(5,884)	(696)
Non current liabilities	25,696	29,955	15,370	17,032	15,858	18,027
Long term loans	16,233	15,425	13,792	16,083	15,333	16,542
Current portion of long-term loans	4,692	6,817	4,567	5,125	3,208	2,833
Summary of Profit or Loss						
Sales - net	110,452	83,234	66,839	61,511	52,733	45,011
Gross profit	22,152	12,579	5,885	8,183	6,028	1,219
Profit / (loss) before taxation	11,525	4,893	(3,869)	1,809	1,441	1,601
EBITDA	14,827	10,263	2,997	5,666	4,983	5,265
Profit / (loss) after taxation	6,391	2,192	(5,921)	1,437	1,004	1,338
Summary of Cash Flows						
Net cash flows from operating activities	22,300	25,432	(16,843)	(6,549)	12,009	(460)
Net cash flows from investing activities	(3,057)	(3,040)	3,327	(3,832)	(3,719)	(3,445)
Net cash flows from financing activities	(3,477)	267	4,167	1,400	(8,873)	4,574
Changes in cash and cash equivalents	15,766	22,659	(9,349)	(8,982)	(582)	670
Cash and cash equivalents - year end	29,442	13,676	(8,983)	366	9,348	9,930
Free Cash Flows						
Profit / (loss) before taxation	11,525	4,893	(3,869)	1,809	1,441	1,601
Adjustment for non-cash items	5,596	3,444	5,143	2,642	3,001	1,855
Changes in working capital	12,327	23,097	(12,182)	(7,053)	12,516	119
	29,448	31,434	(10,908)	(2,602)	16,958	3,575
Less: Capital expenditure	(308)	(711)	(2,360)	(994)	(738)	(716)
Free cash flows	29,140	30,723	(13,268)	(3,596)	16,220	2,859
Quantitative Data (in KT)						
Sona Urea (G) Production	501	559	508	562	543	434
Sona Urea (G) Sales	501	559	508	562	546	443
Sona DAP Production	790	740	831	730	809	791
Sona DAP Sales	790	926	688	687	831	791

Cash Flows from
Operating ActivitiesCash Flows from
Investing ActivitiesCash Flows from
Financing Activities

Horizontal Analysis

of Statement of Profit or Loss

	Rs. in Million											
	2021 Rs	21 Vs. 20 %	2020 Rs	20 Vs. 19 %	2019 Rs	19 Vs. 18 %	2018 Rs	18 Vs. 17 %	2017 Rs	17 Vs. 16 %	2016 Rs	16 Vs. 15 %
Sales - net	110,452	32.70	83,234	24.53	66,839	8.66	61,511	16.65	52,733	17.15	45,011	(13.74)
Cost of Sales	88,301	24.97	70,655	15.91	60,955	14.30	53,327	14.18	46,705	6.65	43,792	(2.61)
Gross profit	22,152	76.10	12,579	113.77	5,884	(28.09)	8,183	35.77	6,028	394.48	1,219	(83.10)
Selling & distribution expenses	5,640	6.71	5,286	(1.09)	5,344	18.09	4,525	(7.11)	4,872	11.45	4,371	14.46
Administrative expenses	1,601	27.53	1,255	(11.73)	1,422	(8.19)	1,549	(10.34)	1,727	5.27	1,641	14.99
	14,911	146.94	6,038	(784.93)	(882)	(141.79)	2,109	(469.11)	(571)	(88.08)	(4,793)	(343.55)
Finance cost	2,338	(47.39)	4,444	(14.22)	5,199	133.89	2,223	14.46	1,942	(9.93)	2,156	15.43
Other operating expenses	10,159	119.60	4,626	114.36	2,158	71.40	1,259	197.64	423	140.07	176	(55.84)
	2,414	(179.61)	(3,032)	(63.20)	(8,239)	500.25	(1,373)	(53.26)	(2,936)	(58.79)	(7,125)	2,283.10
Other income	9,111	14.97	7,925	81.34	4,370	37.35	3,182	(27.31)	4,377	(49.84)	8,726	53.55
Profit / (loss) before taxation	11,525	135.55	4,893	(226.48)	(3,869)	(313.84)	1,809	25.56	1,441	(9.98)	1,601	(70.27)
Taxation	5,134	90.12	2,700	31.60	2,052	450.76	373	(14.75)	437	66.61	262	(80.16)
Profit / (loss) after taxation	6,391	191.50	2,192	(137.03)	(5,921)	(512.14)	1,437	43.11	1,004	(25.00)	1,338	(67.05)

Turnover and Cost of Sales

Based on timely pricing decision and marketing strategy, the Company liquidated all its production during the year resulting 33% increase in net revenue.

The total cost of sales was recorded at PKR 88.31 billion compared to PKR 70.66 billion, 25% higher than last year mainly due to consistent hike in Phosphoric Acid prices throughout the year.

Gross Profit

Based on effective marketing and cost management strategy, the Company has earned gross profit of PKR 22 billion in last six years representing 76% increase in gross profit as compared to last year. The Company achieved 5% increase in gross profit margin from 15% in previous year to 20% in current year.

Distribution Cost

Higher fuel prices during the year increased the distribution cost for the current year to PKR 5.64 billion compared to PKR 5.52 billion last year. It also exceeds by 19% average cost for the last six years.

Finance Cost

Finance cost decreased to PKR 2.34 billion for the year 2021 compared to PKR 4.44 billion last year mainly on account of lower interest rates and reduced borrowing requirements during the year. A volatile trend has been witnessed in finance costs over the years. Years 2019 & 2020 witnessed high borrowings due to high working capital requirements as a result of slow sales and higher interest rates.

Other Expenses

Significant increase in other expenses is due to booking of Expected Credit loss of PKR 3.4 billion on Sub-ordinated loan including mark-up thereon and 0.8 billion on Subsidy receivable. Also, an impairment charge of PKR 2.1 billion was booked on equity investment in FML.

The company suffered significantly on account of exchange loss amounting to PKR 1.5 billion due to consistent devaluation of Pakistani Rupee against the USD.

Other Income

Other income of PKR 9.1 billion is the highest during last six years and primarily comprises of dividend income of PKR 4.1 billion and return on investments placed with financial institutions of PKR 700 million.

It also includes gain on disposal of investment in wind projects of PKR 2.8 billion.

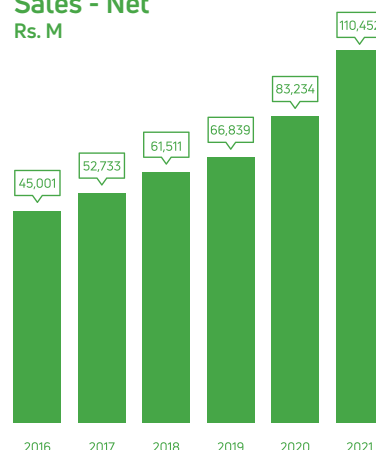
Taxation

The higher tax charge of PKR 5.1 billion was mainly attributable to higher profitability. Variation over the years has been in line with profitability.

Net Profit

Net profit of the Company increased significantly based on overall better performance in all spheres of business.

Sales - Net Rs. M



Vertical Analysis

of Statement of Profit or Loss

	2021		2020		2019		2018		2017		2016	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales - net	110,452	100.00	83,234	100.00	66,839	100.00	61,511	100.00	52,733	100.00	45,011	100.00
Cost of Sales	88,301	79.94	70,655	84.89	60,955	91.20	53,327	86.70	46,705	88.57	43,792	97.29
Gross profit	22,152	20.06	12,579	15.11	5,884	8.80	8,183	13.30	6,028	11.43	1,219	2.71
Selling & distribution expenses	5,640	5.11	5,286	6.35	5,344	8.00	4,525	7.36	4,872	9.24	4,371	9.71
Administrative expenses	1,601	1.45	1,255	1.51	1,422	2.13	1,549	2.52	1,727	3.28	1,641	3.65
Finance cost	14,911	13.50	6,038	7.25	(882)	(1.32)	2,109	3.43	(571)	(1.08)	(4,793)	(10.65)
Other operating expenses	2,338	2.12	4,444	5.34	5,199	7.78	2,223	3.61	1,941	3.68	2,156	4.79
Other income	10,159	9.20	4,626	5.56	2,158	3.23	1,259	2.05	423	0.80	176	0.39
Profit / (loss) before taxation	2,414	2.19	(3,032)	(3.64)	(8,239)	(12.33)	(1,373)	(2.23)	(2,936)	(5.57)	(7,125)	(15.83)
Taxation	9,111	8.25	7,925	9.52	4,370	6.54	3,182	5.17	4,377	8.30	8,726	19.39
Profit / (loss) after taxation	11,525	10.43	4,893	5.88	(3,869)	(5.79)	1,809	2.94	1,441	2.73	1,601	3.56
	5,134	4.65	2,700	3.24	2,052	3.07	373	0.61	437	0.83	262	0.58
	6,391	5.79	2,192	2.63	(5,921)	(8.86)	1,437	2.34	1,004	1.90	1,338	2.97

Gross Profit

Turnover increased to PKR 110.45 billion at the end of 2021 compared to PKR 83 billion in 2020. Gross profit margin improved by 5% over last year due to effective marketing and cost management strategy. A decline in gross profit in 2019 was attributable primarily to higher feed and fuel gas costs, currency devaluation and other inflationary factors.

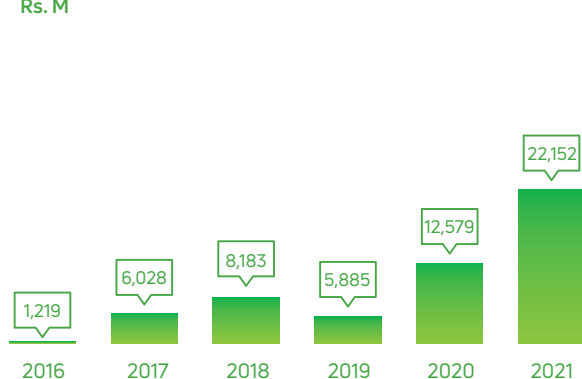
Taxation

Tax charge as a percentage of turnover exhibited an increasing trend from 0.58% in 2016 to 4.65% in 2021. The trend remains in line with profitability margins of the Company. Tax rates decreased from 31% in 2016 to 29% in 2021. The effect of gradual reduction in applicable corporate tax rates was however subdued by the levy of super tax up-till year 2018 and final / minimum tax due to lower profitability in prior years.

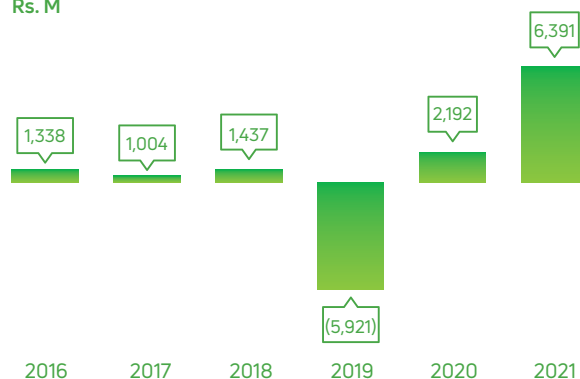
Net Profit

Consistent reduction in profitability since 2016 up to 2019 was mainly due to persistent Governmental pressures restricting pass through ability of the Company in addition to increase in operating costs. However, net profit margin improved to 5.79% in 2021 on the back drop of increased gross profit margin coupled with administrative, selling & distribution cost management and increased other income.

Gross Profit Rs. M



Profit / Loss After Taxation Rs. M



Horizontal Analysis

Statement of Financial Position

	Rs. in Million											
	2021 Rs	21 Vs. 20 %	2020 Rs	20 Vs. 19 %	2019 Rs	19 Vs. 18 %	2018 Rs	18 Vs. 17 %	2017 Rs	17 Vs. 16 %	2016 Rs	16 Vs. 15 %
EQUITY AND LIABILITIES												
Equity												
Share capital	12,913	38.23	9,341	(0.00)	9,341	-	9,341	-	9,341	0.00	9,341	-
Advance against issue of shares	1,633	100.00	4,886	100.00	-	-	-	-	-	-	-	-
Reserves	-	(100.00)	228	(0.15)	228	-	228	-	228	0.15	228	-
Accumulated (loss) / profit	5,885	(1,286.59)	(496)	(81.87)	(2,735)	(163.20)	4,328	20.85	3,581	12.33	3,188	(32.34)
	20,431	46.36	13,959	104.26	6,834	(50.83)	13,897	5.68	13,151	3.09	12,757	(10.67)
Non Current liabilities												
Long term Loans	16,233	5.24	15,425	11.84	13,792	(14.25)	16,083	4.89	15,333	(7.31)	16,542	76.45
Deferred liabilities	9,462	(34.88)	14,530	820.41	1,579	66.36	949	80.99	524	(64.69)	1,485	(45.68)
	25,696	(14.22)	29,955	94.88	15,371	(9.76)	17,032	7.41	15,858	(12.03)	18,027	48.87
Current liabilities												
Trade creditors, other payables, taxation & Current portion of long term loan	57,871	87.97	30,787	(22.59)	39,773	13.38	35,079	32.19	26,536	63.66	16,214	20.52
Interest and mark - up accrued	224	(49.62)	445	(53.75)	962	117.61	442	155.89	173	(59.44)	426	52.14
Short term borrowings	10,988	(30.55)	15,822	(43.95)	28,227	102.88	13,913	40.06	9,934	(36.82)	15,724	(12.59)
Current portion of deferred Government assistance	-	-	-	-	-	-	-	-	-	(100.00)	648	(50.00)
	69,083	46.82	47,054	(31.77)	68,962	39.50	49,434	34.91	36,644	11.00	33,012	(0.02)
	115,209	26.65	90,968	(0.22)	91,167	13.44	80,364	22.41	65,652	2.91	63,796	7.39
ASSETS												
Non-Current Assets												
Property, plant, equipment & advances	10,884	(11.61)	12,314	17.88	10,446	6.06	9,850	(5.54)	10,427	(7.71)	11,298	(6.83)
Long term Loans	3,231	(53.78)	6,990	123.32	3,130	30.42	2,400	-	-	(100.00)	23	-
Deferred Tax asset - net	-	-	-	-	-	-	-	-	1,322	-	-	-
Long term investments	25,610	4.33	24,546	(6.24)	26,180	6.58	24,565	6.50	23,065	14.86	20,081	12.22
Long term deposits & prepayments	79	(0.45)	79	0.45	79	-	79	-	79	(0.45)	79	1.28
	39,803	(9.39)	43,929	10.28	39,835	7.97	36,893	5.73	34,892	10.84	31,481	4.59
Current assets												
Stores, spares and loose tools	1,794	(2.24)	1,835	(38.60)	2,989	9.83	2,722	(0.86)	2,745	1.86	2,695	8.98
Stock in trade	8,388	193.09	2,862	(80.60)	14,756	160.95	5,655	204.94	1,854	(23.60)	2,427	(46.65)
Trade debts	94	(94.31)	1,656	(80.76)	8,607	50.49	5,719	469.33	1,005	(71.49)	3,524	243.80
Loans and advances	1,333	6.91	1,247	6.49	1,171	(22.64)	1,514	23.28	1,228	7.51	1,142	34.51
Deposits and prepayments	125	24.61	100	(24.81)	133	174.27	48	(21.79)	62	16.99	53	29.27
Other receivables	17,100	11.41	15,350	(11.64)	17,373	31.73	13,188	115.35	6,124	(8.62)	6,702	(1.77)
Short term investments	10,442	100.00	-	(100.00)	1,009	(90.77)	10,936	(22.96)	14,194	42.67	9,949	115.91
Cash and bank balances	36,130	44.24	25,048	373.14	5,294	43.48	3,690	4.01	3,547	(39.08)	5,823	(34.87)
	75,407	56.78	48,098	(6.30)	51,332	18.08	43,471	41.33	30,760	(4.81)	32,315	10.26
	115,209	25.19	92,027	0.94	91,167	13.44	80,364	22.41	65,652	2.91	63,796	7.39

Horizontal Analysis

Shareholders' Equity

Pursuant to right issue in 2020, the Company's share capital and share premium reserve has observed an increase of PKR. 5 billion in 2021. An increase in unappropriated profit by 85% over last year is mainly attributable to the enhanced profitability during 2021 while payout was nil during 2021. As a result, shareholders' equity at PKR 20.43 billion was the highest during last six years and registered an increase of 60% compared to 2015.

Non-Current Liabilities

Non-current liabilities historically comprise of long term borrowings and deferred liabilities. During 2020 the long-term portion of GIDC payable amounting to PKR 12.15 billion was also classified as non-current liabilities as per provision of IFRSs. Long term borrowings at PKR 16.23 billion, remained at par compared to year 2016.

Current Liabilities

Trade and other payables increased to PKR 52.55 billion in 2021 from PKR 23.84 billion last year mainly owing to increase in payable against Phosphoric Acid by PKR. 17 billion as compared to last year. Advances from customers also witnessed an increase of PKR. 4 billion. After 2016, withholding of GIDC under the Court's rulings had resulted in a consistent increase in the balance of trade and other payables from PKR 13 billion in 2016 to PKR 35 billion in 2019.

Short term borrowings have decreased over the past two years due to healthy cash generation and better working capital management. Moreover, current portion of long-term borrowings remained consistent as re-payments were made on timely basis.

Non-Current Assets

Non-current assets of the Company include property, plant & equipment, long term advances, long term investments and long term loans to subsidiaries, which witnessed an overall increase of PKR 8.32 billion from 2016. This increase is attributable to routine Capex requirements and investment in subsidiaries.

Further, the Company has invested an aggregate net amount of PKR 8.8 billion in the form of equity investments and subordinated loan over the period of the last six years. During the year, the Company provided PKR. 5.1 billion as subordinated loan to FML.

Current Assets

Current assets mainly comprise of stores and spares, stock in trade, trade debts, sales tax refundable, short term investments, and cash & bank balances. Stock in trade increased significantly to PKR 8.39 billion, a compared to 2016 due to high raw material inventory at the end of 2021. High closing inventories were witnessed at end of 2019 mainly due to suppressed market conditions and higher production / import of fertilizer.

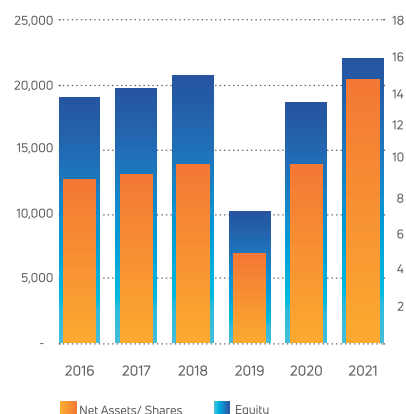
The current year-end balance of trade debts was recorded at PKR 94 million, being the lowest level since 2016.

Considerable increase in other receivables is mainly to sales tax refundable of PKR 13 Billion and outstanding subsidy receivable of PKR 3 Billion from the Government, accumulated over the years.

Short term investments and cash at bank increased exponentially to PKR 46.5 billion and are the highest since 2016, due to better cash availability and attractive returns on investments placed with financial institutions.

The trends in the statement of financial position are in line with general trends of the Company and fertilizer industry, apart from the variations described above.

Equity (Rs. M) Vs
Net Asset (Rs. / Share)



Vertical Analysis

Statement of Financial Position

	2021		2020		2019		2018		2017		2016	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Rs. in Million												
EQUITY AND LIABILITIES												
Equity												
Share capital	12,913	11.21	9,341	10.27	9,341	10.25	9,341	11.62	9,341	14.23	9,341	14.64
Advance against issue of shares	1,633	1.42	4,886	5.37								
Reserves	-	0.00	228	0.25	228	0.25	228	0.28	228	0.35	228	0.36
Accumulated (loss) / profit	5,885	5.11	(496)	(0.55)	(2,735)	(3.00)	4,328	5.39	3,581	5.45	3,188	5.00
	20,431	17.73	13,959	15.34	6,834	7.50	13,897	17.29	13,151	20.03	12,757	20.00
Non Current liabilities												
Long term liabilities & deferred government assistance	16,233	14.09	15,425	16.96	13,792	15.13	16,083	20.01	15,333	23.36	16,542	25.93
Deferred taxation	9,462	8.21	14,530	15.97	1,579	1.73	949	1.18	524	0.80	1,485	2.33
	25,696	22.30	29,955	32.93	15,371	16.86	17,032	21.19	15,858	24.15	18,027	28.26
Current liabilities												
Trade creditors, other payables & taxation	57,871	50.23	30,787	33.84	39,773	43.63	35,079	43.65	26,536	40.42	16,214	25.4154
Interest and mark - up accrued	224	0.19	445	0.49	962	1.06	442	0.55	173	0.26	426	0.6678
Short term borrowings	10,988	9.54	15,822	17.39	28,227	30.96	13,913	17.31	9,934	15.13	15,724	
Current portion of deferred Government assistance	-	0.00	-	-	-	-	-	-	-	-	648	1.0157
	69,083	59.96	47,054	51.73	68,962	75.64	49,434	61.513	36,644	55.81	33,012	51.7462
	115,209	100.00	90,968	100.00	91,167	100.00	80,364	100.00	65,652	100.00	63,796	100.00
ASSETS												
Non-Current Assets												
Property, plant, equipment & advances	10,884	9.45	12,314	13.38	10,446	11.46	9,850	12.26	10,427	15.88	11,298	17.71
Long term Loans	3,231	2.80	6,990	7.60	3,130	3.43	2,400	2.99	-	-	23	0.04
Deferred Tax asset - net	-	0.00	-	0.00	-	0.0	-	0.00	1,322	2.01	-	-
Long term investments	25,610	22.23	24,546	26.67	26,180	28.72	24,565	30.57	23,065	35.13	20,081	31.48
Long term deposits & prepayments	79	0.07	79	0.09	79	0.09	79	0.10	79	0.12	79	0.12
	39,803	34.55	43,929	47.73	39,835	43.69	36,893	45.91	34,892	53.15	31,481	49.35
Current assets												
Stores, spares and loose tools	1,794	1.56	1,835	1.99	2,989	3.28	2,722	3.39	2,745	4.18	2,695	4.22
Stock in trade	8,388	7.28	2,862	3.11	14,756	16.19	5,655	7.04	1,854	2.82	2,427	3.80
Trade debts	94	0.08	1,656	1.80	8,607	9.44	5,719	7.12	1,005	1.53	3,524	5.52
Loans and advances	1,333	1.16	1,247	1.36	1,171	1.28	1,514	1.88	1,228	1.87	1,142	1.79
Deposits and prepayments	125	0.11	100	0.11	133	0.15	48	0.06	62	0.09	53	0.08
Other receivables	17,100	14.84	15,350	16.68	17,373	19.06	13,188	16.41	6,124	9.33	6,702	10.51
Short term investments	10,442	9.06	-	0.00	1,009	1.11	10,936	13.61	14,194	21.62	9,949	15.60
Cash and bank balances	36,130	31.36	25,048	27.22	5,294	5.81	3,690	4.59	3,547	5.40	5,823	9.13
	75,407	65.45	48,098	52.27	51,332	56.31	43,471	54.09	30,760	46.85	32,315	50.65
	115,209	100.00	92,027	100.00	91,167	100.00	80,364	100.00	65,652	100.00	63,796	100.00

VERTICAL ANALYSIS

Shareholders' Equity

Revenue reserves as a percentage of equity have increased from 25% in 2016 to 29% at the close of 2021 owing to profit retention in the business to finance operating needs of the Company. Conversely, share capital as a percentage of equity has reduced to 63% in 2021 from 73% in 2016, due to higher retention of profit.

Non-Current Liabilities

Following a trend of high borrowings up-to the year 2018, long term borrowing remained lower as a percentage of non-current liabilities however increased by PKR 4.3 billion in 2021 compared to last year due to repayment of long-term loan and reclassification of GIDC payable from non-current liabilities to current liabilities in accordance with IFRS.

Current Liabilities

Current liabilities witnessed increase over the past few years and stood at PKR 69 billion at the end of 2021. The percentage of trade and other payables to current liabilities increased to 68% compared to 46% last year due to purchase of raw material towards the year end and GIDC reclassification as explained above.

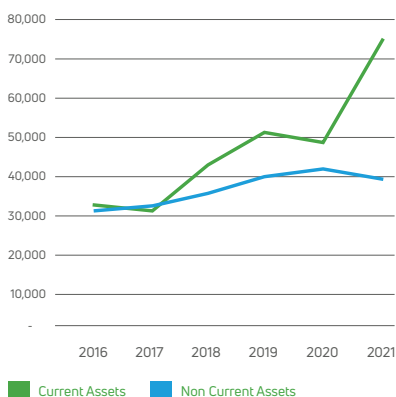
Non-Current Assets

Non-current assets have witnessed increase over the past few years from PKR 32 Billion in 2016 to PKR 42 Billion in 2020 and PKR 40 Billion in 2021 primarily due to increase in long term investments. Percentage of current assets decreased from ~ 45% to 35% in current year due to comparative increase in current assets primarily cash and cash equivalents at year end.

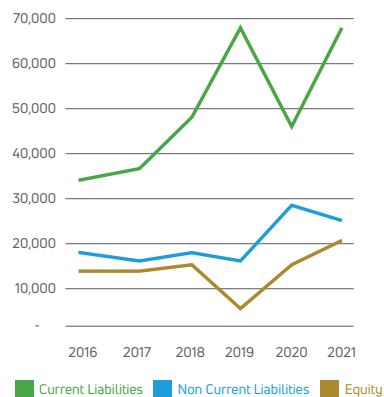
Current Assets

Current assets remained consistent at balance of around PKR 30 Billion over the past years till 2019 (excluding higher temporary stock in trade and trade receivable balance in 2018 and 2019). However, at the close of year 2021 current assets increased to PKR 75 Billion primarily due to improved cash position on the backdrop of better marketing strategy, collections and timely liquidation of inventory. Current assets represent 65% of total assets at the close of year 2021.

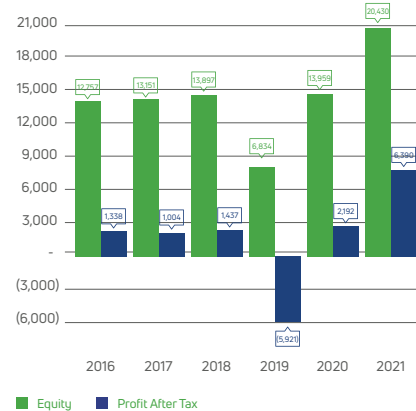
Assets Rs. M



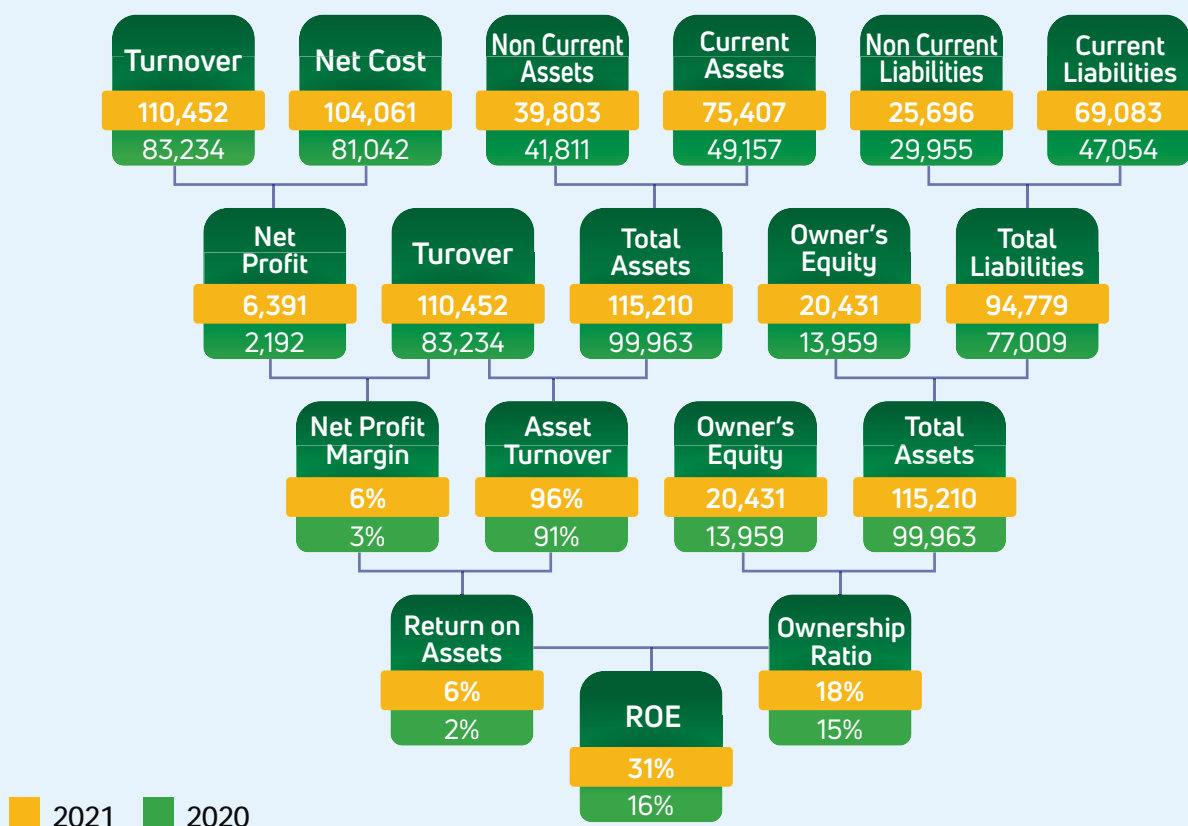
Equity & Liabilities Rs. M



Equity vs PAT Rs. M



DuPont Analysis



Dupont analysis	2021	2020
Interest burden	17%	48%
EBIT Margin	14%	11%
Asset turnover	96%	91%
Leverage	82%	85%
Return on equity	32%	16%

Analysis

Operational Efficiency

The Company managed to achieve revenue increase by 33% and at the same time total costs as compared to total revenue decreased by 3% on the backdrop of better marketing and effective overall cost management. This resulted in enhanced operation efficiency as net profit margin increased to 6% (2020: 3%).

Assets Utilization

Total assets increased by 27% to PKR 115 Billion. However, corresponding utilization in terms of revenue generation improved significantly in comparison to previous year as the Company achieved asset turnover of 96% (2020: 91%).

Leverage

Equity based funding in total assets increased to 18% (2020: 15%) as equity increased on the back drop of increased net-profitability for the year. On the other hand, non-equity-based funding in total assets also improved from 85% to 82%.

Conclusion

Better performance in all spheres including enhanced operational efficiency, better assets utilization and improved leverage resulted in delivering return on equity of 31% for current year (2020: 16%).

Quarterly Analysis

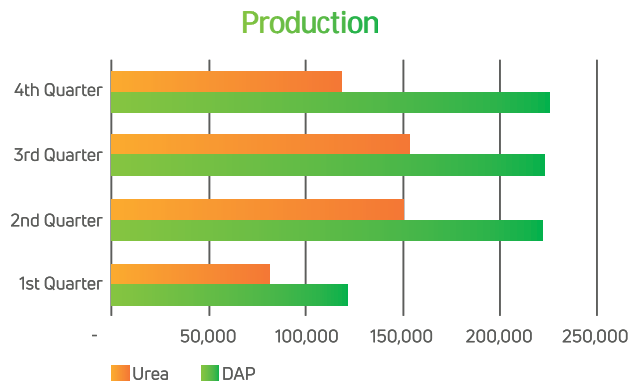
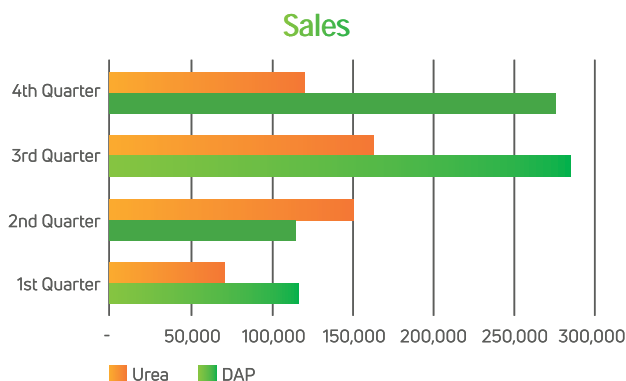
	Rupees in million				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
Sales - net	13,005	16,912	38,449	42,086	110,452
Cost of sales	(10,527)	(13,417)	(29,907)	(34,449)	(88,300)
GROSS PROFIT	2,478	3,495	8,542	7,637	22,152
Selling and distribution expenses	(912)	(1,461)	(1,657)	(1,611)	(5,641)
Administrative expenses	(290)	(331)	(263)	(716)	(1,600)
Finance cost	(651)	(609)	(560)	(518)	(2,338)
Other operating expenses	(485)	(613)	(6,581)	(2,481)	(10,160)
Other income	1,566	2,483	4,167	896	9,112
PROFIT BEFORE TAXATION	1,706	2,964	3,648	3,207	11,525
Taxation	(440)	(355)	(1,373)	(2,966)	(5,134)
PROFIT AFTER TAXATION	1,266	2,609	2,275	241	6,391
Earnings per share - basic and diluted (Rupees)	0.98	2.03	1.77	0.18	4.96

Analysis of Variation in Interim Results and Final Accounts

Gross profit margin increased from 19% in the first quarter to 22% in the third quarter and reduced to 18% in the final quarter mainly due to higher inventory cost in the last quarter as compared to previous quarters.

Expected credit loss of subsidy receivable and sub-ordinated loan to FML along with mark-up accrued thereon and impairment of investment in FML impacted the net profitability by around PKR 5.5 billion in the last two quarters. This resulted in last quarter's net profit margin of 0.6% as compared to 9.7% in the first quarter.

At the year-end, the Company successfully liquidated its entire fertilizer stock and carried minimal inventory. Higher collections from sales and advance from customers, towards the year end, resulted in increased cash at bank and short-term investments recorded at PKR 46.6 billion, 86% higher as compared to last year.



Q1

Production

FFBL achieved highest ever monthly production of 50,875 MT of ammonia and 60,651 MT of Urea in the first quarter. Combined quarterly production remained same as compared to last year.

Sales

Sona urea offtake for the first quarter was recorded at 69,852 MT which was 7% lower than the corresponding quarter of last year, primarily due to low production of Urea during the quarter due to shortage of gas supplies. However, DAP offtake was increased by 8% as compared to corresponding quarter of last year, at 116,637 MT.

Turnover & Other Income

Company's turnover improved by 36% against last year to PKR 13 billion. The Company has received improved dividend of PKR 1 billion during the quarter as compared to Nil dividend in the corresponding quarter

Operating Costs

Cost of sales amounting PKR 10.5 billion for the first quarter was 4% higher than last year, primarily due to increased DAP production and increasing phosphoric acid prices. Whereas, distribution cost for the quarter recorded at PKR 0.9 billion registered an increase of PKR 0.2 billion over 2020 owing to increase in transportation rates.

Profit

Increased turnover has resulted in increased gross profit of PKR 2.48 billion. Reduction in finance cost and higher dividend income during the quarter resulted in increased net profit to PKR 1.27 billion, against the loss of PKR 3 billion in the corresponding quarter.

Q2

Production

Sona Urea output of 149,291 MT during the second quarter of the year was 12% lower than corresponding quarter of 2020 mainly due to lower gas supplies during the quarter but DAP production was increased by 17%.

Sales

Total sales in Q2 of 2021 increased by 41% as compared to Q1 of 2021. However, in comparison to corresponding quarter, sales declined by 21% i.e. from 334 KT to 263 KT, primarily due to seasonality of the crops.

Turnover & Other Income

Turnover of PKR 16.9 billion i.e. 30% more than the first quarter of 2021 and 11% higher than the turnover recorded in corresponding quarter of 2020 mainly due to efficient pricing decisions. Second quarter's other income of PKR 2.48 billion was due to PKR 1.35 billion dividends received from FPCL.

Operating Costs

Cost of sales for the second quarter stood at PKR 13.4 billion, 27% above the first quarter due to higher sales of urea and DAP, but 1% below corresponding quarter of 2020. Distribution cost at PKR 1.46 billion was 17% higher than the corresponding quarter of last year mainly due to increase in fuel cost.

Profit

Gross profit for the quarter was increased to PKR 3.5 billion, registering an increase of 41% compared to 1st quarter and 81% higher than the corresponding quarter of last year, mainly due to consistent pricing decisions. Net profit also stood at PKR 2.6 billion as compared to the loss of PKR 1.2 billion in the same quarter last year.

Production

Due to better gas supplies, the Company produced 153,289 MT of Sona urea, 9% higher than the corresponding quarter of last year. However, Sona DAP production was consistent with last year.

Sales

Third quarter Sona urea offtake of 162,671 MT was 25% higher than last year whereas Sona DAP offtake of 284,271 MT was 8% lower than last year.

Turnover & Other Income

The Company's turnover recorded a significant increase of 52.7% compared to the corresponding quarter of last year, mainly due to effective marketing strategy, efficient pricing decisions and seasonality of crops. Moreover, internationally increasing fertilizer and raw material prices also influenced buying decisions of dealers. Other income showed an increase because of gain on disposal of wind projects of PKR 2.8 billion.

Operating Costs

Upward trend of cost of sales continued in the third quarter registering a 41% increase compared to last year, and stood at PKR 29.9 billion due to increase in sales. Also, transportation cost was increased by 5% than last year.

Profit

Gross profit of PKR 8.5 billion marked an improvement of 116% over last year owing mainly to higher revenue. The Company has recorded an impairment loss of PKR 2.1 billion on its equity investment in FML and also booked expected credit loss of PKR 2.4 billion on subsidy receivable and subordinated loan to FML. The Company has also suffered exchange loss of Rs. 0.8 billion in the third quarter due to significant devaluation of Pak Rupee against USD. Despite thriving topline, these charges resulted in reduced net profit of PKR 2.3 billion as compared to PKR 3.3 billion during the same period last year.

Production

Sona DAP production was at par as compared to last year but Urea production was curtailed by 23% due to gas shortage.

Sales

Urea sale declined due to lower production during the quarter owing to gas shortages. DAP sales decreased in the quarter primarily due to forward buying by dealers throughout the year in wake of surging fertilizer prices.

Turnover & Other Income

The Company achieved turnover of PKR 42 Billion in the last quarter, which was 10% higher than the previous quarter and 26% higher than last year due to increasing fertilizer prices and particularly that of phosphatic fertilizers. Other income declined due to booking of one time gain on revaluation of GIDC liability booked in last quarter of previous year.

Operating Costs

The last quarter's cost of sales recorded at PKR 34.45 billion witnessed an increase of 15% compared to the third quarter mainly due to higher fertilizer sales resulting in increased operating activity during the quarter. Distribution cost was at par compared to the previous quarter.

Profit

Net profit for the last quarter impacted as cost of production increased due to increasing phosphoric acid prices coupled with less dividend income from subsidiaries. Moreover, tax expense further decreased the net profit for the quarter.

Financial Capital

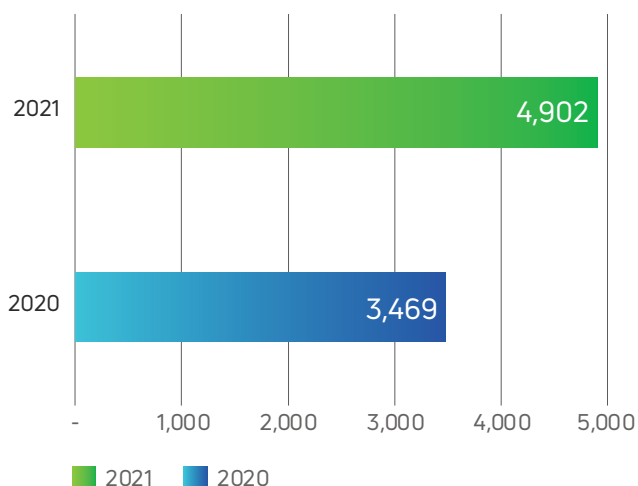
Contribution to National Exchequer

During the year, the Company's contribution to national exchequer comprising of taxes and levies was Rs 11.3 billion, against Rs 6 billion last year. The increase is primarily owing to substantial increase in income tax and sales tax. Moreover, value addition in terms of foreign exchange savings was USD 389 million through import substitution of 501 thousand tonnes Sona urea (G) and 791 thousand tonnes Sona DAP sold in 2021 (net of Phosphoric Acid imports).

	2021 Rs in million	2020
WEALTH GENERATED		
Total revenue inclusive of sales tax, other income	121,791	90,269
Purchases - material and services	98,443	74,208
	23,348	16,061
WEALTH DISTRIBUTION		
To Employees		
Salaries, wages and other benefits	3,069	2,920
To Government		
Income tax, sales tax, custom and excise duty	10,561	5,975
WPPF	762	-
To Society		
Donations and welfare activities	8	13
To Providers of Capital		
Dividend to shareholders	-	-
Finance cost paid on borrowed funds	2,557	4,961
Retained in the Company	6,391	2,192
	23,348	16,061

Economic Value Added

Rs. M



Adequacy of Internal Controls:

Inculcating a business environment of ethical behaviour and moral conduct, the Board of Directors has implemented an effective system of internal financial and operational controls throughout the Company.

Subsequent Events:

For subsequent events please refer note 40.7 to the financial statements.

Financial Capital

Liquidity and Cash Flow Management

Strategy to Overcome Liquidity Problems

The Company determines net cash position by forecasting inflows and outflows. Primary sources of cash inflows are sales revenue, income from financial institutions and dividend income. Outflows involve payment against purchase of raw material and other capital and operating expenses as well as investments / sub-ordinated loans. Future, cash plans are carefully evaluated and subsequently updated based on actual results and changes in underlying assumptions and estimates.

The working capital as well as financing requirements of the Company are managed through a proactive treasury management function. Treasury function ensures effective cash flow management while safeguarding against any related risks.

Liquidity Generation

The Company's liquidity requirements are met through internal cash generation from sales revenue, dividend receipts and income on deposits. The Company holds significant debt capacity to meet any future funding requirements including those of diversification projects. However, minimal reliance is placed on

cash generation through external sources to ensure lower financial cost.

Investments and Placement of Funds

In order to minimize liquidity and credit risks, funds are placed only with high credit rated institutions. The Company's investment portfolio therefore comprises of investments in the money market and term deposits with banks / financial institutions to enhance profitability and increase shareholders' return. A periodic evaluation of return on these investments is conducted to ensure that best possible options have been exercised.

Repayment of Debt and Recovery of Losses

Total debts, including short term and current maturity of long-term debt, decreased by 16% compared to last year, and stood at PKR 31.9 billion, which included a decrease of PKR 4.8 billion in short term financing. Banks have issued guarantees on behalf of the Company up to PKR 73 million in addition to letter of credit facilities of up to PKR 1.1 billion which are available against charge on FFBL's assets.

The Company holds a sizeable un-utilized borrowing capacity to meet any future funding requirements

including those of diversification projects. All debt repayments maturing this year were paid on their due time and there have been no defaults in repayment of any debt during the year. The Company recorded ECL on Government subsidy, sub-ordinated loan to FML and accrued mark-up on sub-ordinated loan amounting to PKR 0.8 billion, PKR 2.9 billion and PKR 0.5 billion respectively.

Credit Rating

The long-term credit rating of the Company was upgraded from A+ (single A plus) to AA- (double A minus), which signifies high credit quality and strong protection factors. FFBL's short-term rating is A-1 (A minus one), which denotes high certainty of timely payments

Significant Plans and Decisions

Over the years, Fauji group has established itself as a market leader in the fertilizer industry, contributing towards food security by providing high quality fertilizers. Keeping in view the growing demand of fertilizer, we keep on evaluating strategies to maintain as well as enhance our production capacity.

During the year, the Company has subscribed to right offer by Fauji Foods Limited by converting its sub-ordinated loan into equity amounting to PKR 5.9 billion.

Further, FFBL has successfully completed disposal of its equity investment in wind projects (Foundation Wind Energy – I Limited and Foundation Wind Energy – II Limited) to FFC, realizing a gain of PKR 2.8 billion.

Further, in view of declining gas availability, FFBL is actively looking for alternate options to ensure uninterrupted supply of fertilizer to farmers.

Capital Structure

FFBL's equity comprises of share capital amounting to PKR 12.91 billion representing ordinary shares of PKR 10 each, with Fauji Fertilizer Company Limited being the major shareholder with an equity stake of 49.88%. Equity increased by 46% to PKR 20.4 billion, mainly on account of higher profit during the year.

The Company's debt to equity ratio is 51:49 as compared to 61:39 of 2020, whereas, financial leverage (non-equity-based funding of total assets) decreased from 0.85 to 0.82 due to lower short-term borrowings availed to meet working capital needs. Future projections indicate adequacy of the capital structure for the foreseeable future.

Capital Market and Market Capitalization

FFBL is listed on the Pakistan Stock Exchange, which is the sole indicator of Country's capital market performance. During the year, capital listed on the Exchange also rose to PKR 1,483 billion compared to PKR 1,421 billion last year. KSE-100 index also improved from 43,755 points to 46,348 points at the end of the year.

The Company's market capitalization stood at PKR 32 billion (2020: PKR 18 billion) with an increase of 78% as compared to last year, due to increase in paid up capital, as a result of right issue, and improvement in Company's performance depicted in increase in share price.

Trading at an average of PKR 25.78 per share, market price experienced major fluctuations between the highest of PKR 29.15 per share to the lowest of PKR 20.22 per share with an average daily trading volume of 4.7 million shares.



Financial Capital

Sensitivities	PAT Rs. Million	EPS Rs.
Selling Price +1/-1	560.15	0.43
Sales Volume +1/-1	116.08	0.09
Dividend Income +5/-5	149.13	0.12
Downtime +2 days/-2 days	70.35	0.05
Finance Cost +5/-5	(59.28)	(0.05)

Sensitivity Analysis

Market Price Sensitivity Analysis

Share price of FFBL is affected by various internal and external factors. The Company's financial and operational performance directly impact its share price. Certain external factors that impact the share price include economic and political environment of the Country, Governmental policies, stakeholders' sentiments and macro-economic indicators etc.

Production and Cost of Sales

The Company's fertilizer production is directly impacted by the Government policy as well as gas availability. It is also influenced by planned and unplanned Plant shut downs and maintenance turnarounds.

Sales Volume and Price

Sales volume is driven by various factors including plant production, fertilizer demand, farm economics, Government interventions including price regulation and import volumes, besides environmental conditions.

Sale prices are determined internally but impacted by competitor prices, market conditions, international trends and Government intervention including subsidies etc.

Dividend Income

Dividend income from our equity investments depends on their performance and the announcement made by their respective Board of Directors and is, therefore, beyond the Company's control.

Other Income

Other income mainly comprises of returns on deposit in different financial institutions, and investment in mutual funds. It is dependent on prevalent interest rates besides the Company's ability to generate and place excess funds.

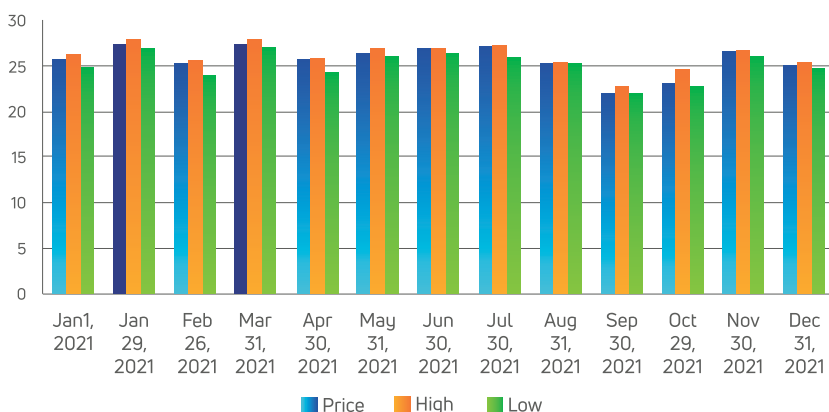
Finance Cost

Finance cost is impacted by the Company's borrowings requirements, and although the management proficiently negotiates loans, the interest rates are subject to market and conditions that are beyond the Company's control.

Foreign Exchange Risk

The Company's foreign business transactions are exposed to foreign exchange risk due to exchange rate volatility.

For the purpose of the sensitivity analysis, effect of a variation in a particular assumption on the profitability is independent of any change in another assumption. Changes in one variable may contribute to a change in another variable, which may enhance or lessen the effect on the financial statements.



Prospects of the Entity Including Targets for Financial and Non-Financial Measures

Prospects of the Entity

With minimal carry over inventory from 2021 and a proactive approach towards managing inventory, the Company intends to surpass its major production and sales targets while achieving efficiencies.

Depleting gas reserves can significantly impact the profitability of the Company, therefore, in order to address the situation, the Company is making efforts and is in regular discussion with relevant stakeholders to secure uninterrupted supply of gas and is also evaluating other options.

During the year, FPCL recorded net earnings of PKR 3.6 billion (2020: PKR 3.8 billion). The management expects consistent returns from the project in future.

FFL also demonstrated improvement in its financial performance through increase in sales revenue, effective curtailment of expenditure besides reduction in finance cost.

Financial Measures

Targets for the year were set after estimation of various factors and variables, majority of which are outside the control of the Company while others can either be monitored or their impact alleviated to a possible extent.

The Company's cost of production is susceptible to external factors such as price of raw material, Government intervention over fertilizer pricing, currency fluctuation, changes in taxes and levies, in addition to changes in weather and natural calamities.

Thorough evaluation and effective implementation were carried out during the year in order for the Company to achieve its set goals and targets. This is evident from the production and sales levels achieved during the year.

Further, effective cost controls including tight monitoring of budgetary provisions, and efficient treasury management enabled the Company to earn a net profit of PKR 6.39 billion.

Looking ahead, Government policies enabling a positive environment for the agriculture and fertilizer sector in the forthcoming times is crucial for the farming community, sustained food supply and economic stability of the Country.

Non-Financial Measures

The Company has identified the following areas as key non-financial performance measures:

- Stakeholders' engagement
- Relationship with business partners
- Maintenance of product quality for fulfilment of customer needs
- Compliance with regulatory frameworks
- Transparency, accountability and good governance
- Brand preference
- Corporate image and reputation
- Employee satisfaction and well being
- Responsibility towards the society
- Environmental protection
- Energy conservation

Responsibility for implementation of these measures is delegated to the management with periodic monitoring and supervision by the Board.

Methods and Assumptions Used in Compiling the Indicators

Key performance indicators effectively reflect the Company's performance. The management regularly analyses these indicators to better gauge the Company's performance against predefined

Financial Capital

benchmarks. Some of the basic indicators of the Company's performance and profitability have been mentioned below:

Turnover represents the total amount of revenue generated by the business during the mentioned periods. It aids in tracking sales levels and trends in order to spot meaningful changes in activity levels.

Investment income includes income on deposits and return earned on investments made by the Company. Whereas, dividend income is income earned on the Company's equity investments.

Market price per share is the measure of perception of the Company in the market. The difference between Book Value

and Market Value shows investors' confidence on the scrip.

Earnings per share measures the net earnings of the Company against the total outstanding shares, whereas dividend per share represents dividend declared by the Company for every outstanding ordinary share.

Profitability ratios analyze the Company's financial health.

Changes in Financial and Non-Financial Indicators

Changes in financial indicators compared to previous years have been explained in detail in the 'Financial Capital' section of this Report. There were no significant changes in the non-financial indicators as compared to previous years.

Management's Responsibility Towards the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards and the requirements of Companies Act, 2017. Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Market Share Information

FFBL markets, through Fauji Fertilizer Company Limited, premium products domestically produced to fulfil the needs of farmers. The Company has been outperforming its competitors both in terms of sales and brand preference. This is evident from combined FFC / FFBL's sizeable market share over the years.

Statement of Compliance with IFRS Issued by IASB

The Company's Financial Statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017
- Provisions and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Note 3.23 of the financial statements specifies the standards and interpretations which are yet to be effective /in Pakistan. The Company believes that the impact of these standards and interpretations does not have any material impact on the financial statements.

Business Rationale of Major Capital Expenditure and Projects

FFBL gives due credence to the importance of maintaining existing equipment and property and at the same time having enough capital to invest in growth through diversification. All types of capital expenditure requirements go through in-depth evaluation procedures by committees of the Board before final approval of the Board.

Dividend Declaration and Future Prospects

The Board has recommended final dividend of Rs Nil per share.

Going forward, the Board remains focused towards offering steady and sustained returns to the shareholders through continued cost controls, efficiency enhancement and diversified business ventures of the Company.

GIDC Status

The Company, along with other industry members, filed a Suit with the Sindh High Court (SHC) against collection of GIDC instalments, before a factual determination of GIDC pass-on is carried out, and SHC has granted a stay against such recovery.

CEO Presentation Video

Video presentation by the Chief Executive Officer, explaining the business overview, performance, strategy and outlook of the Company, is available on FFBL's Corporate Website and can be accessed through the following web link: <https://www.ffbl.com/ceo-message/>



Risk Management

Risk Management Policy

The Board is responsible for the governance of risk and for determining the company's level of risk tolerance by establishing risk management policies and for this purpose the Board is encouraged to undertake at least annually, an overall review of business risks

to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls.

FFBL's Risk Management Policy presents a robust mechanism for identification and management of risks including assessing and containing the impact of such risks on Company business.

It provides entity-wide risk management guidelines that cover key risk areas, including Strategic, Commercial, Operational, Financial, Reputational and other risks.

Assessment of Principal Risks

The Board of Directors has conducted a critical analysis of all risks that could threaten

the business model, future performance, solvency or liquidity of the Company. The responsibility for monitoring and control of these risks has been delegated to the management of the Company.

Exposure to these risks is managed through the Enterprise Risk Management (ERM) process. The purpose of ERM is to identify potential risks and to define the strategy for managing the impact of these risks, as well as the mechanisms to effectively monitor and evaluate identified strategies. It is the policy of the Company to view ERM as integral to the creation, protection and enhancement of shareholder's value by managing the uncertainties that could influence the achievement of corporate goals and objectives.

Key Sources of Uncertainty

Financial statements of the company are prepared using estimates, judgements and assumption which could be expected to have impact on presentation of income, expenses, assets and liabilities.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in

application of accounting policies have been disclosed in Note 2.4 to both separate and consolidated financial statements of the Company.

The key sources of uncertainty in estimation carry a significant risk which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Although risks can never be fully mitigated, it is important that management understands, prioritize and manage the risks that they are willing to accept in the context of the overall corporate strategy

Strategic, Commercial, Operational and Financial Risks

FFBL has embedded risk management into its culture. Therefore, risk identification, assessment and mitigation are performed by the personnel and department who are in direct contact to source of risk as a routine practice. The strategic, commercial, operational and financial risks can arise from uncertainty in financial markets, system breakdowns, project delays, fluctuations in product markets including Government pricing pressures, competitive

position, legal liabilities, credit risk, accidents, natural causes and disasters, or other events of uncertain or unpredictable nature.

Strategic Risk

Strategic risk refers to the internal and mostly external events that may make it difficult, or even impossible, for an organization to achieve its objectives and strategic goals. These risks can have severe consequences that impact organizations in the long-term. The Board of Directors actively oversees the management of these risks and creates mitigating strategies wherever required.

Commercial Risk

These risks are associated with the commercial substance of an organization. Reduction in an entity's market share, product price regulation or other regulatory amendments posing threat to the organization's profitability and commercial viability are a few examples of these risks affecting the Company.

Operational Risk

Operational risks are such risks which may adversely impact the strategic capability of the organization caused by internal factors, operational and administrative procedures, such as workforce turnover, supply-chain disruption, IT system shut downs

Risk Management

or control failures, fraud or other criminal activity.

FINANCIAL RISK

Financial risks are divided in the following categories:

- Credit risk
- Liquidity risk
- Market risk

These risks are explained in Note No. 38 and 41 of the Company's separate and consolidated financial statements respectively.

Plans and Strategies for Mitigating these Risks and Potential Opportunities

Risk Governance

The roles and responsibilities at various levels of our risk management program are outlined in our risk governance structure

Board and Committees

The Audit Committee monitors the Company's overall risk management process on half yearly basis, focusing primarily on financial and regulatory compliance risks. Though, any unexpected adverse change in

risks is immediately brought to the attention of the stakeholders

The Human Resources & Remuneration Committee focuses on risks posed by their operational mechanisms including compensations packages to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of competent



human resources in each area of critical Company operations.

The Investment Committee focuses on exploring new opportunities for expansion, diversification and divestment, ensuring that thorough due diligence is carried out covering all aspects of the project including risks before according its recommendation to the Board

Policies and Procedures

Policies and procedures represent implementation phase translated from the Company's risk governance framework and ensure management of financial, operational and compliance risks. Board and its committees have adopted a set of policies and procedures based on best practices, promoting a culture of ethics and values

with authority delegated to senior management uniform environment of practice along the functional lines.

Control Activities

Senior management assesses the risks and places appropriate controls to mitigate and respond to these risks through preventive, investigative and corrective actions which involves involving all our people to embrace the high standard of vigilance and responsibility.

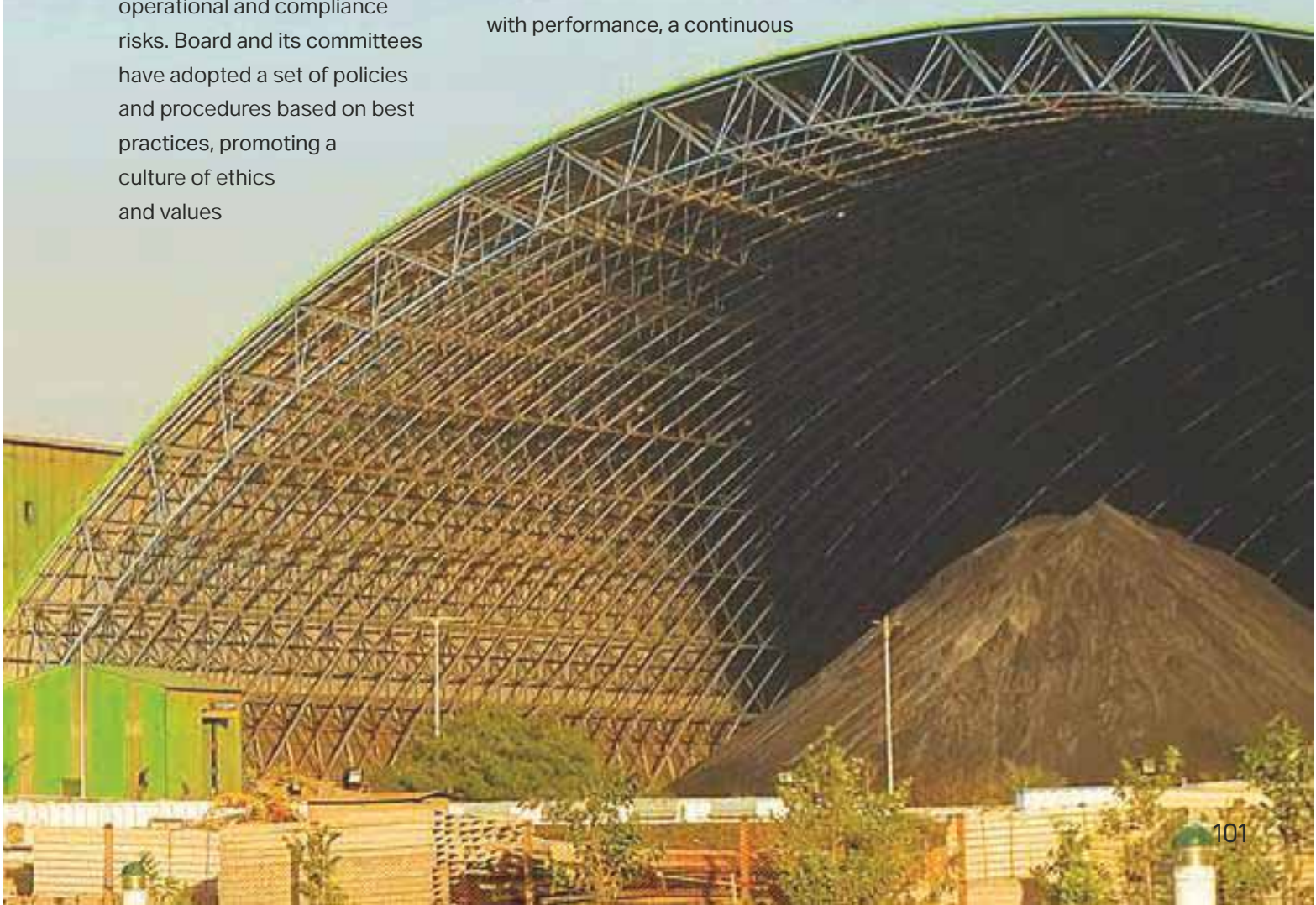
Performance Management

In order to avoid risks associated with performance, a continuous

cycle of monitoring is carried out to evaluate and analyze the effectiveness of implemented controls and to identify areas of weaknesses to devise plans for improvement.

Internal Audit

Internal Audit function provides independent and objective evaluations and reports to the Audit Committee on the effectiveness of governance, risk management and control processes.



Risk Management

RISK CATEGORY	RISK	SOURCE	LIKELIHOOD	CAPITAL	MAGNITUDE	MITIGATION FACTORS
Operational	Availability of Natural Gas	External	Possible	Natural	Severe	Management is constantly engaging with all the stakeholders to ensure sufficient, secure and un-interrupted supply of Gas. Management is actively evaluating alternative options.
	Default by customers and financial institutions	External	Possible	Financial	Moderate	Maximum sales are made against advances from customers and (secured) credit limit is explicitly defined in credit policy. Deposits are placed with high rated banks
	Inadequate risk assessment and inefficient audit strategy	Internal	Unlikely	Financial/ Manufactured	High	Audit plan prepared under the guidance of Board's Audit Committee, based on Cumulative Audit Knowledge and Experience
	Information Technology Risks	Internal	Likely	Intellectual/ Manufactured	Moderate	IT controls and firewalls are in place to safeguard confidential / proprietary information. Regular system updates, IT audits, vulnerability awareness campaigns, and trainings are conducted to monitor and minimize the risk.
	Risk of major accidents impacting employees, records, property and surrounding community	Internal	Possible	Manufactured/ Social/ Intellectual	Moderate	Implementation of strict and standardized operating procedures, employee trainings, operational discipline and regular safety audits, besides having an offsite backup of Company's record and systems. Company also has insurance coverage to safeguard against any relevant losses
	Turnover of trained employees at critical positions may render the operations incapacitated	Internal	Possible	Social	Moderate	FFBL has a succession plan and a culture of employee training and development aided by market competitive compensation. Continuous rotation within the departments is done besides maintaining work procedures / work instructions for guidance of new employees
	Disruption of product supply Chain	External	Possible	Finance/ Manufactured	Moderate	Robust inventory management system aided by a diversified vendor pool.
	Product pricing competition	External	Likely	Financial	Minor	Better marketing strategies Improved quality control Customer/ farmer awareness
Hazard	Covid-19	External	Possible	Social	Moderate	Resilient business continuity plan in place with continuous monitoring Adaptability to new normal Better supply chain management through constant interaction Increased Health and safety awareness
	Natural disasters / Climatic uncertainties	External	Possible	Manufactured	Moderate to High	Disaster recovery / business continuity plans that have been implemented at all locations and the staff is fully equipped to quickly recover from any natural disaster/pandemic The Company also has insurance coverage to safeguard against any monetary losses.
Compliance risks	Non-compliance of laws and regulations	Internal	Possible	Financial/ Social	Moderate	Rigorous checks on latest updates in regulatory framework are carried out to prevent any breach of law. Trainings are conducted to keep employees abreast with all latest developments in laws and regulations. External experts are engaged for consultations
	Changes in government policies and regulations	External	Possible	Financial	High	The Company is actively monitoring changes occurring in regulatory framework and engages with Government and other stakeholders to explain business dynamics and issues impacting the industry to enable sustainable and progressive policy making.

RISK CATEGORY	RISK	SOURCE	LIKELIHOOD	CAPITAL	MAGNITUDE	MITIGATION FACTORS
Financial	Non-availability of cash for working capital, settle liabilities or finance capital investments.	Internal	Unlikely	Financial	Moderate	Timely liquidation of inventory Focused working capital and receivables management. Manage optimal outflow through operational & inventory controls. Pursue GOP for settlement of receivables i.e. sales tax and subsidy. Effectively increasing debt capacity
	Fluctuations in foreign currency Rates	External	Possible	Financial	Moderate	Cost increase due to Pak Rupee devaluation is passed on to customers through product price, subject to market conditions / government policies.
	Rise in KIBOR rates inflating the borrowing costs	External	Likely	Financial	Moderate	'Prepayment options' are incorporated in agreements, which can be exercised upon any adverse movement in the underlying interest rates, creating internal hedge for the Company against this risk
	Strong market competition / product failure or obsolescence lowering demand for FFBL's product	External	Possible	Relationship	Moderate	FFBL currently holds 8% urea market share and 42% DAP market share besides having a loyal customer base owing to its highly demanded/reputed brand name. Further, continuous efforts are made to sustain premium product quality.
	Unfavorable farm economics negatively affecting liquidity of customer	External	Possible	Financial	Moderate	Ensuring provision of locally manufactured fertilizer at affordable rates in addition to offering sale on credit. The Company has indirectly invested across the country for farmers capacity building with ultimate objective of improved farm economics
	Investing in companies that yield insufficient returns, tying up shareholders' funds and impacting profitability	Internal	Unlikely	Financial	Moderate	Due diligence before investment decision Post-investment regular strategy and performance reviews and to introduce required measures Critically viewing worst case scenarios of return on investment, taking account of management expertise and where required, bringing onboard experts of the respective sectors.
	Protests / Volatile law and order situation	External	Possible	Manufactured/ Social	Low	The Company has adequate security arrangements / media presence to cope with any law and order / reputational risk. FFBL has an efficient security arrangement and alert mechanism to secure its employees.
	Loss of stakeholder confidence in the 'Sona' brand name adversely impacting goodwill affecting operation	Internal	Possible	Relationship	High	The Company has built its brand recognition through years of quality fertilizer supply All stakeholders are engaged through a comprehensive stakeholders' engagement program (i.e. farm advisory, documentaries, technical literature) leading towards a positive corporate image / goodwill.
	Outdated farming techniques employed by farmers leading to poor crop health and declining per hectare output	External	Possible	Social	Low	Provision of farm advisory services and establishment of soil & water testing laboratories, micro-nutrient and plant tissue analysis laboratories. Assistance and encouraging farmers to adapt to modern agriculture technologies.

Note: The Company engages with the farming community either directly or indirectly through its parent Company, Fauji Fertilizer Company Limited.

Corporate Governance

We believe that for stakeholder engagement to become real, organization to develop resilience, stand out from the competition, relentlessly improve performance and decide skill fully, commitment needs to start from the top- that is, the board and the corporate governance system put in place. In today's transformed business world, there has been a renewed focus on corporate governance.

The Company aims for the highest standards of performance and behaviour in all its operations. Maintaining and abiding by these standards dictates the long-term performance and success of the Company and its stakeholders.

Best Corporate Practices

FFBL pursues perfection by encouraging adherence to the proficient corporate and ethical practices, as a model corporate citizen. The Board fully adheres to the international and local principles of best corporate governance. All periodic financial statements of the Company were circulated to the Directors duly endorsed by the MD & CEO and CFO (when required) for approval before publication. Quarterly unaudited financial statements along with Directors' Review were published and circulated to the regulators within one month. Half-yearly financial statements reviewed by the external auditors were circulated within two months of the end of the stipulated period.

Code of Conduct

FFBL adheres to the best practiced ethical standards in the conduct of business. Accordingly, Code of Conduct of the Company has been approved by the Board of Directors and has also been placed on the website of the Company.

Composition of the Board

The composition of the Company's Board of Directors is in line with the requirements governed by the Companies Act 2017, Code of Corporate Governance and other best practices adopted under the Articles of Association. It comprises of a skill fully diverse group of highly qualified professionals from disciplines of Finance, Engineering and Business Management, and Human resource management.



The twelve member Board effectively represents and safeguards the interest of all shareholders including minority shareholders. There are seven non-executive directors and only one executive director. The Company has four independent directors on its Board. None of the Board members hold directorship of more than seven listed companies.

As per requirement of code, one female representation is required on the board. FFBL exceeds that limit by appointing two female board members namely, Ms. Pouruchisty Sidhwa and Ms. Saira Nasir.

Changes to the Board

The term of current board members will stand completed in August 2022, when a fresh Board

of Directors will be elected for a period of three years through an extra ordinary general meeting.

The Board would like to record its appreciation for the invaluable services rendered by the outgoing CEO Sarfaraz Ahmed Rehman, who remains on the Board

The Board also extends a warm welcome to Arif Ur Rehman as new CEO, and assures of its support.

We are confident that the team would continue to operate effectively towards the attainment of Company's objectives and enhancement of shareholders' wealth.

Meetings of the Board

As per regulatory requirements, the Board of Directors is legally bound to meet at least once

in each quarter of the year. Additionally, special meetings to discuss important matters are also held on requirement basis.

All proceedings of the meetings were meticulously recorded by the Company Secretary, and timely circulated to all directors for endorsement and approved in subsequent Board meetings.

During the year, FFBL's Board of Directors following meetings were held to discuss routine and special matters besides providing guidance to the management. In compliance with the applicable laws notices and agendas were circulated in advance. The quorum was complete in all Board meetings held during the year through arrangements for virtual attendance of the meetings by directors.

	04 Jan	26 Jan	16 Apr	26 Apr	29 Jun	29 Jul	21 Sep	25 Oct	22 Dec
Mr Waqar Ahmed Malik	✓	✓	✓	✓	×	✓	✓	✓	✓
Mr Sarfaraz Ahmed Rehman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lt Gen Tariq Khan HI(M), (Retd)	✓	✓	✓	✓	×	✓	×	N/A	
Mr Arif ur Rehman	N/A							×	✓
Dr Nadeem Inayat	✓	✓	✓	×	×	✓	✓	✓	×
Mr Moez ur Rehman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Syed Khalid Siraj Subhani	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Pouruchisty Sidhwa	✓	✓	✓	✓	×	✓	✓	✓	✓
Mr Qamar Haris Manzoor	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mohammad Munir Malik	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Rehan Ahmed	×	✓	✓	✓	✓	✓	✓	✓	✓
Ms Saira Nasir	✓	✓	✓	✓	✓	✓	✓	✓	✓
Syed Bakhtiyar Kazmi	✓	✓	✓	✓	×	×	✓	✓	✓

Casual Vacancies Filled During the Year

Appointed	Date	Resigned	Date
Mr. Arif ur Rehman	16 October 2021	Lt Gen Tariq Khan HI(M), (Retd)	15 October 2021

Corporate Governance

Roles and Responsibilities of the Board

FFBL's Board of Directors is fully cognizant of its roles and responsibilities towards the Company's esteemed shareholders. Its primary aim is to enhance shareholders' value in a transparent and efficient manner. The Board exercises responsibilities conferred to it in the Company's governance framework which exceeds the requirements of the regulatory framework.

The Board exercises all its powers with responsibility, diligence, and in compliance with the legal framework after due deliberations.

Compliance with the Best Practices of Code of Corporate Governance

The Company adheres to the best practices of Corporate Governance. The Statement of Compliance with the Code of Corporate Governance signed by the Chairman Board and Chief Executive along with the Auditor's Review Report thereon also form part of this Report.

Leading from Front – Role of Chairman

The Chairman leads the Board of Directors, represents the Company and acts as the overall

custodian of the Company and the stakeholders.

He is responsible for: -

- Ensuring the Board's effectiveness.
- Empowers the Board as a whole to play a constructive part in the development and determination of the Company's strategy and overall objectives.
- Ensuring the development of businesses, to protect the reputation of the Company and its subsidiaries.
- To issue letter to directors setting out their role, obligations, powers and responsibilities at the beginning of term of each director.
- Set the agenda of the meeting of the Board and ensure that reasonable time is available for discussion of the same.
- Ensure that the minutes of meetings of the board of directors are kept in accordance with the requirements of Section 178 of the Companies Act, 2017.

Role of CEO

The CEO is responsible for execution of Company's long-term strategy with a view to create shareholder value. The leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's long and short- term plans.

The CEO acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management. He also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

Typically, the CEO acts as a director, decision maker, leader, manager and executor. The communicator role involves interaction with the outside world, as well as the organization's management and employees; the decision-making role involves high-level decisions in respect of execution of policy and strategy.


As a leader of the Company, the CEO motivates employees and drives change within the organization.

Directors' Training Program

In compliance with regulatory requirements, the Board members have been appropriately certified under the Directors' Training Program from SECP approved institutions.

Performance Evaluation of Directors and CEO

At FFBL, performance evaluation of the Board is regular feature to assess Board's own degree of effectiveness of collective



working including its committees as well as individual members, CEO and Chairman. Purpose is to identify performance issues that impede Board's effectiveness, pay particular attention to high-impact/ low-performance and area of improvement. Individual evaluation of Directors is being conducted by opting peer evaluation to include every member in evaluation process and generate comprehensive feedback.

The Board has developed a formal mechanism for evaluation of Board's own performance, members of board and of its Committees.

FFBL is conducting Board evaluation through a consultant in order to achieve external view which brings more transparency into the process, whilst maintaining anonymity. The Board has awarded the said task to Pakistan Institute of Corporate Governance (PICG)

in order to focus on following objectives: -

- Recalibrating focus & agreeing priorities
- Raising issues & prompting open discussion
- Improving board dynamics & engagement

PICG has prepared comprehensive questionnaires for the evaluation of Board, its Committees and individual directors.

Directors' Orientation

FFBL conducted an industry orientation session for its new directors on 6 July 2021 to equip them with the affairs of FFBL for and on behalf of shareholders. Pursuant to requirement of Companies Act 2017, the Chairman of the Board also communicates comprehensively, the duties, roles and responsibilities, powers, term of office and remuneration,

the Articles of Association of the Company and the Code of Corporate Governance to newcomers on Board.

Director' Remuneration Policy

As per approval, each Director, other than the regularly paid Chief Executive Officer and full time working Director, is entitled to be paid a fixed fee for meetings attended by them. Moreover, out-stationed Directors are also entitled to reimbursement of travelling and accommodation expenses as per the actual expenses incurred in consequence of his/her attendance of Board / Committee meetings. In case of international travel, the Directors are authorized for daily allowance.

Related Party Transaction:

All transactions with related parties arising in the normal course of

Corporate Governance

business are carried out on an unbiased, arm's length basis at normal commercial terms and conditions, under the Company's Related Party policy.

In compliance with the regulatory requirements, all related party transactions are placed before the Audit Committee for review and recommendation to the Board of Directors at the end of each quarter.

The same are then considered and approved by the Board keeping in view the Committee's recommendations. Any transactions where majority of the directors are interested, are referred to the shareholders in General Meeting for approval.

Details of all related party transactions including the name, basis of relationship, percentage holding, nature and amount have been appropriately disclosed in Note 39 of the Financial Statements.

The Company's Code of Business Ethics obligates all directors to formally disclose any vested interests held by them in their individual capacity. The Company Secretary finalizes agenda points of Board meetings after obtaining information regarding vested interests and extent thereof.

No director of the Company takes part in the discussion or vote relating to contract or agreement

where they are concerned or interested. Where majority of directors are interested, the matter is laid before the General meeting for approval.

Matters Delegated to Management

The CEO is responsible for ensuring execution of the Company's routine business operations, in an efficient and ethical manner, in line with the Board's approved strategies and in compliance with legal requirements.

The management is responsible for the identification and administration of key risks and opportunities in the Company's ordinary course of business. It is also responsible to establish and maintain a system of internal controls, prepare / present financial statements in conformity with the approved accounting standards and the requirements of the Companies Act, 2017

Key Board Policies

Insider Trading

The Board of directors of FFBL have approved the insider trading policy for the Company. This policy also applies to material, unpublished price sensitive information relating to any other company, especially FFBL group companies, with publicly-traded securities. The Company expects

that Insiders will maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated. Unauthorized disclosure or use of Company information, including improper trading in the Company's securities, is prohibited, as insider trading is both unethical and illegal.

Investor Grievances Policy

Investor grievances are the complaints or resentments raised by investors against a listed Company. The purpose is to provide a process for the effective management and resolution of concerns, disagreements or complaints that may arise between the investor and the Company. Further, it exists to facilitate an environment where all stakeholders can voice their concerns so that these can be dealt with fairly and expeditiously using a transparent and consistent process. Complaints can be reported through e-mail and regular mail. A designated e-mail ID "secretary@ffbl.com" has been created and the same is displayed on our website.

Committees of the Board

Audit Committee

The purpose of the Committee is to assist the Board of Directors of the Company in fulfilling its responsibilities in respect of:

- (i) Overseeing the Companies' financial reporting process, including the internal control structure and procedures for financial reporting and monitoring the integrity and appropriateness of the Company's financial statements;
- (ii) the manner in which the Company's management ensures and monitors the adequacy of financial, operational and compliance internal controls and risk management processes designed to manage significant risk exposures;
- (iii) To monitor and review the effectiveness of internal and external audit;
- (iv) Ensuring effectiveness of whistle blowing mechanism
- (v) Monitoring compliance with laws and regulations.

The Committee has the power to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate.

In order to ensure transparency and independence of the Internal

Audit function, the Head of Internal Audit reports directly to the Audit Committee. FFBL's annual internal audit plan is also approved by the Audit Committee and its progress reviewed on a quarterly basis.

Presence of the Chairman Audit Committee at the AGM

Board is acting on behalf of shareholders, in order to comply within fiduciary duty. In order to address any concerns and queries raised by the shareholders, Chairperson Audit Committee, was present at General Meetings held during the year.

Composition of Audit Committee

The Committee comprises of four members, including its Chairman, all of whom are non-executive directors, while two are independent directors. The Audit Committee consists of following Directors:

Mr Moez ur Rehman **Chairman**

Dr Nadeem Inayat

Syed Bakhtiyar Kazmi

Ms Saira Nasir

Terms of Reference

Salient features of Audit

Committee's TOR are as follows:

- Review of annual and interim financial statements of the Company including Director's Report, prior to their approval by the Board of Directors

- Review of the scope, terms of reference and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- Review the annual business plan/budget, including cash flow projections, forecasts and strategic plan before recommending it to the Board.
- Ensuring effectiveness of whistle blowing mechanism.
- Monitoring compliance with laws and regulations.

Meetings during the year

The Committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities. Separate meetings were also held with the Company's external and internal auditors in compliance with regulatory requirements. During the year, following meeting were held;

	19 Jan	10 Mar	19 Apr	31 May	19 Jul	20 Oct	10 Dec
Mr Moez ur Rehman	✓	✓	✓	✓	✓	✓	✓
Dr Nadeem Inayat	✓	×	×	×	✓	✓	✓
Ms Saira Nasir	✓	✓	✓	✓	✓	✓	✓
Syed Bakhtiyar Kazmi	✓	✓	✓	✓	✓	✓	✓

Corporate Governance



Investment Committee'

The Investment Committee facilitates the Board in making decisions pertaining to new investments / divestments / diversifications by presenting its findings for Board's review and seeks approval for acquisition or expansion involving attractive returns, satisfactory growth and success potential.

Composition of Investment Committee

The Committee comprises of five members, including its Chairman. The Investment Committee consists of following Directors:

Dr Nadeem Inayat **Chairman**

Mr Arif-ur-Rehman

Mr Qamar Haris Manzoor

Ms Saira Nasir

Syed Bakhtiyar Kazmi

Terms of Reference

Salient features of Investment Committee's TOR are as follows:

- Review external growth opportunities, potential diversification projects, acquisitions, or divestment of existing projects/ventures, as proposed by the Management.
- Review Management's proposals for strategic alliances with other entities / companies to achieve growth or

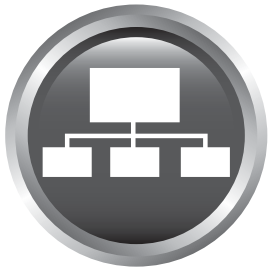
diversification objectives of the Company.

- Review and approve financial model of investments including source of funding.
- Review and recommend to the Board any proposal of new investment, acquisition, JV, divestment(s), expansion / BMR in line with Company's strategy.
- Monitor investment landscape to evaluate both short and long-term emerging market needs.

Meetings during the year

The Committee meets at least once every quarter. During the year, following meeting were held;

	19 Jan	08 Apr	20 Apr	25 Jun	15 Jul	15 Oct
Dr Nadeem Inayat	✓	✓	✓	✓	✓	✓
Mr Sarfaraz Ahmed Rehman	✓	✓	✓	×	×	✓
Mr Qamar Haris Manzoor	✓	✓	×	✓	×	✓
Syed Bakhtiyar Kazmi	✓	✓	✓	×	✓	✓
Ms Saira Nasir	✓	✓	✓	✓	✓	✓
Mr Arif ur Rehman	N/A					✓
Mr Moez ur Rehman (on invitation or joint meeting)	N/A	✓	N/A	✓	N/A	N/A



Human Resource and Remuneration Committee'

FFBL's HR&R committee assists the Board in fulfilling its oversight responsibilities in relation to human resources and remuneration policies and to establish a plan of continuity for company executives and other senior management

Composition of Human Resource and Remuneration Committee

The Committee comprises of four members, including its Chairperson, all of whom are non-executive directors, while two are independent directors. The HR&R Committee consists of following Directors:

Ms Pouruchisty Sidhwa **Chairperson**

Mr Sarfaraz Ahmed Rehman

Mr Qamar Haris Manzoor

Syed Khalid Siraj Subhani

Terms of Reference

Salient features of HR&R Committee's TOR are as follows:

- To periodically review and recommend to the Board, human resource remuneration management policies.
- To review and approve the annual salary increments Review and approve management recommendations on performance evaluation, development programs, total remuneration, proposed personnel changes and

succession planning of all executives reporting to CEO

- Periodic review of Organizational structure for its effectiveness and efficiency.
- Undertake annually, formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant
- To ensure that FFBL has in place programs to attract and develop management resources of highest caliber and a process to provide orderly succession of management.

Meetings during the year

The Committee meets at least once every quarter. During the year, following meetings were held;

	13 Jan	14 Apr	08 Jul	21 Sep	07 Oct	26 Nov
Ms Pouruchisty Sidhwa	✓	✓	✓	✓	✓	✓
Mr Sarfaraz Ahmed Rehman	(On invitation)				×	✓
Syed Khalid Siraj Subhani	✓	✓	✓	✓	✓	✓
Mr Qamar Haris Manzoor	✓	✓	×	✓	✓	✓
Mr Mohammad Munir Malik	✓	✓	✓	✓	✓	×
Mr Arif ur Rehman (On invitation)	N/A				✓	✓

Stakeholders Engagement



We believe that fostering strong relationships with communities, customers, shareholders, and other groups of external stakeholders can help companies understand and meet their needs. We regularly engage and interact with our stakeholders to apprise them on our performance and to seek their valuable input and insight on how we can further improve and create lasting impact on our society.

Analysts' Briefing

FFBL conducted four analysts' briefings during the year. During these briefings, the Chief Executive Officer and Chief Financial Officer explained the Company's operational as well as financial performance and also discussed

future outlook. These sessions were followed up by detailed 'Questions & Answers' sessions, exhibiting FFBL's commitment to a transparent and continuously evolving stakeholders' engagement approach

The briefings were keenly attended by PSX representatives as well as analysts from all over the Country.

Encouraging Minority Shareholders to Attend General Meetings

The Company encourages shareholders to regularly attend shareholders' meetings. Notices of Annual General Meetings (AGM) and any Extra Ordinary General

Meetings (EoGM) are sent to all Shareholders of the Company well in advance i.e. more than 21 days before the date of meeting. Notices of these meetings are also published in two leading newspapers in English as well as in Urdu having Country-wise circulation.

All shareholders irrespective of their shareholding can appoint proxy, participate through video conference (VC) and vote through e-voting. They can suggest, propose, comment, record their reservations during the meeting, and enjoy full rights to propose and second any agenda item presented.

They can demand the draft minutes of meeting within



stipulated time post the event and are privileged to object on any intended major investments, planned acquisitions, mergers and takeovers or any other corporate / capital restructuring.

FFBL values and honors the shareholders' inputs, records their concerns, prepositions, suggestions in minutes and keeps them abreast on the progress and subsequent actions

Investor Relations Section on FFBL Website

FFBL's corporate website provides comprehensive information regarding the Company and its Group in addition to requirements

of the applicable regulatory framework. The 'investor relations' section is regularly updated to provide all information pertaining to dividend history, financial highlights, financial results and other requisite information.

In compliance with the requirements of applicable regulatory framework and to better facilitate the stakeholders, the website is maintained in both English and Urdu languages. The Company's website may be accessed through the link Home - FFBL




The online pdf version of the report will be considered the most current version and takes precedence over any previously printed version. The online PDF version can be

accessed at Investor Relations - FFBL

Shareholders' Meeting

FFBL held its AGM on March 29, 2021 and two EOGMs on 27-July-2021 (1st EOGM) and 22-November-2021 (2nd EOGM). Apart from statutory requirements and approval, these meetings were held to take shareholders into confidence on key investment related decisions. During these meetings, general queries and clarifications were sought by shareholders regarding the agenda points, which were resolved to their satisfaction.

Stakeholders Engagement

STAKEHOLDERS				
	INSTITUTIONAL INVESTORS	CUSTOMERS AND SUPPLIERS	BANKS AND OTHER LENDERS	
Engagement Management	FFBL acknowledges and honours the trust our investors pose in us by providing a steady return on their investment. We rigorously enforce a transparent relationship with all our stakeholders.	FFBL has invested significantly over the years in customer relationship management. Through Agri. Services, FFBL has been continuously inducing changes in agricultural production and is highlighting the importance of rapid and efficient transfer of advance knowledge to farmers for their sustainable economic growth. Our continuous and sustainable growth is also attributable to engaging reputed and dependable suppliers as business partners for supply of raw material, industrial inputs, equipment and machinery.	Banks and other financial institutions are engaged by the Company regularly for borrowing and investments as well as other financial transactions.	
Engagement Frequency	Regular	Regular	Regular	
Engagement Process	General meetings, Annual and Quarterly Reports	Periodic formal and informal meetings	Regular meeting are held on financing requirements, capital restructuring and other financial transactions on regular basis	
Effect and value	The providers of capital allow FFBL the means to achieve its vision.	Our success and performance depend upon the loyalty of our customers, their preference of the our brand and our supply chain management.	Dealings with banks and lenders is key to FFBL's performance in terms of efficiency and effectiveness in financial transactions	



REGULATORS



ANALYSTS



EMPLOYEES



LOCAL COMMUNITY AND
GENERAL PUBLIC

FFBL prides itself in being a responsible corporate citizen and abides by the laws and regulations of Pakistan.

In order to attract potential investors, FFBL regularly engages with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information and / or trading, to avoid any negative impact on the Company's reputation or share price

FFBL's commitment to its most valued resource, a dedicated and competent workforce, is at the core of its human resource strategy. FFBL provides a nurturing and employee friendly environment while investing considerably in local and foreign employee trainings.

FFBL engages with general public at large through its CSR activities. This engagement helps to identify needed interventions in the field of education, health and general economic uplift of the society.

Regular

Quarterly

Regular

Regular

Meetings with officials, submissions of data for review and compliance purposes.

Analysts' Briefing

Top leadership CEO interact with all employee on regular coffee sessions held throughout the year.

Town hall meeting is arranged where employees are informed on performance, upcoming challenges and future plans by the CEO.

Meetings and one-on-one engagements

Laws and regulations, determination of prices and other factors controlled by the Government affect FFBL and its performance

Providing all the required information to analysts helps in clarifying any misconception / rumour in the market and creates a positive investor perception.

FFBL's employees represent its biggest asset, implementing every strategic and operational decision and representing the Company in the industry and community

The people of the Country provide the grounds for FFBL to build its future on.

Issues Raised in the Last AGM, Decisions Taken and their Implementation

The clarifications made by the management to issues raised are as under:

a) Development on GIDC issue with Government

Shareholders were informed that keeping in view the financial capacity of the fertilizer companies, the Supreme Court of Pakistan has advised revised time line, which will reduce stress on liquidity and cash flow. However, the Company has currently obtained Stay order from Sindh High Court against the payment until the GIDC liability is correctly ascertained.

b) Effect of COVID on Food Business

Management apprised that Current COVID situation has not affected the food business, FFL showed improvement in sales and margins of all the Products, due to improvement in product mix (i.e., NURPUR cheese, NURPUR unsalted butter launch), price increase in UHT/ butter/ cheese and DOSTEA, expansion in distribution and reduction in fixed cost.

Further, to utilize full capacity of plants and enhance the revenue of these Companies, multiple potential clients are being considered for tolling arrangements as well.

c) Future prices of DAP & Phos acid

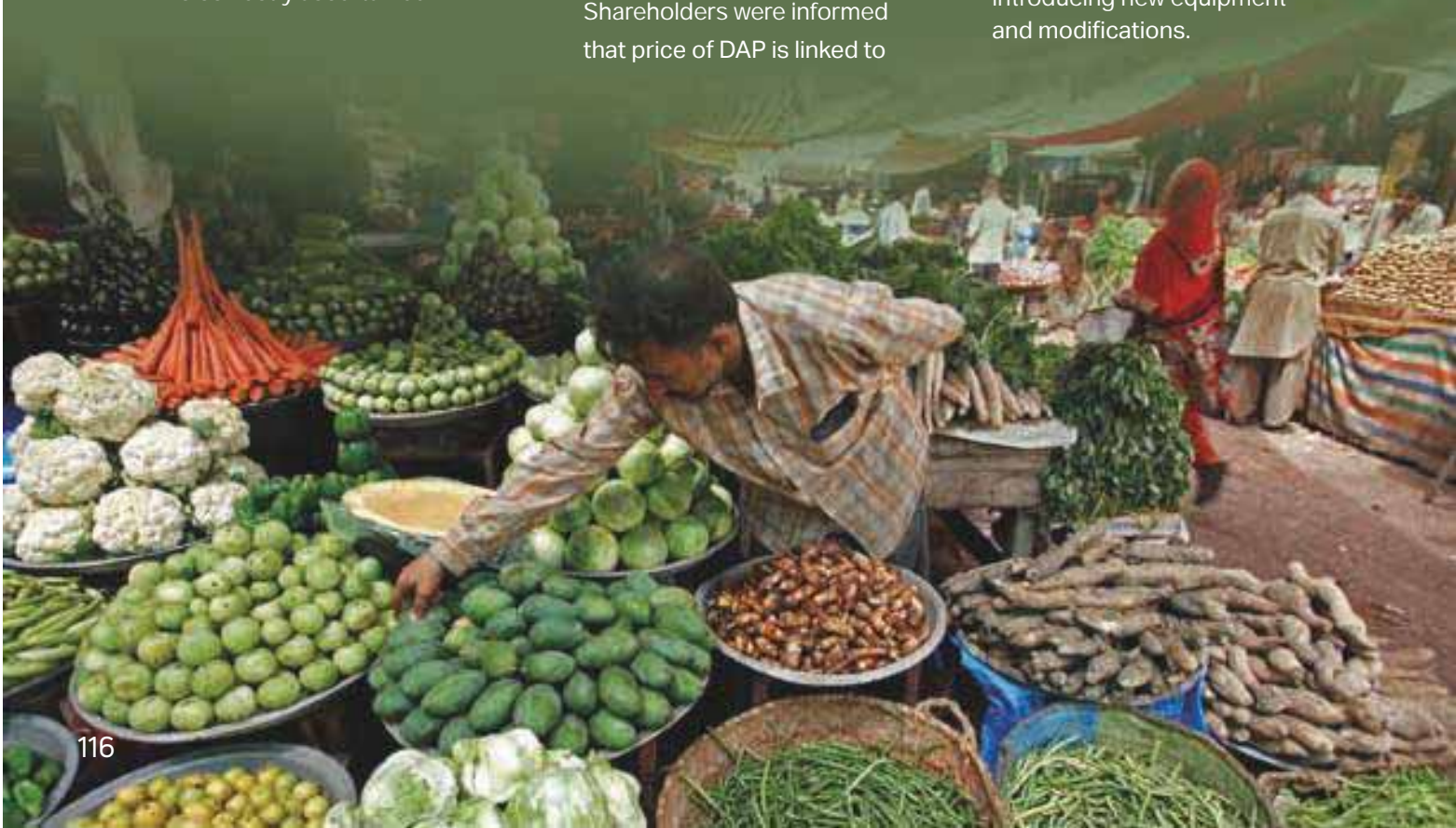
Shareholders were informed that price of DAP is linked to

international price, which is dependent on multiple factors. However, as per International reports, further upward trend in International DAP price is expected in future.

Increasing demand of DAP is the driving factor for the growth of Phos acid price and an upward trend in price is also expected in future.

d) DAP plant capacity building On the question to de-bottleneck DAP plant,

Management responded that feasibility studies are a regular feature by Technical teams of the Company to improve capacity, safety, reliability, energy, efficiency and expansion of all plants. Revamp of DAP plant with the change in process technology was also done in 2007 by introducing new equipment and modifications.



Internal Control

The internal control system of FFBL is very comprehensive and is effectively implemented and monitored regularly.

It is designed to reasonably ensure that the Company complies with policies, plans and laws and efficiently uses the resources to accomplish goals, besides availability and integrity of financial and management information.

The Company has prioritized its emphasis on control procedures of each business unit to confirm that corporate policies are executed and corrective actions, when necessary, are taken.

Whistle blowing

FFBL has placed a well-defined whistle blowing policy to achieve the highest possible standards of transparency, honesty, integrity, fairness and accountability by fearlessly participating in the process.

The whistle blowing policy provides an internal procedure to resolve work-related issues fairly. The work problems may be related to situations where employee feels that established Organizational policies and practices have been violated or have not been consistently applied, or any other matter of serious concern (i.e. money laundering, bribe, malicious act, violation of laws or unethical

practices etc.) to employees and other stakeholders.

As per the requirements of the policy, confidentiality of complainants is maintained to protect them from any form of retaliation or victimization for genuinely held concerns that are raised in good faith. Further, all concerns reported are investigated confidentially by the Internal Audit Department which are also presented on a quarterly basis to the Board Audit Committee (BAC).

Concerns can be raised at <https://www.ffbl.com/whistle-blowing/>.

No whistle blowing instance of any nature was reported during the Year.

Board Statement of Compliance and Authorization of Financial Statements

Directors are pleased to state that:

- The financial statement, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Books of account of the Company have been maintained properly.
- Appropriate accounting policies have been consistently

applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statement. Any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts regarding the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Information regarding outstanding taxes and levies, as required by listing regulations, is disclosed in the notes to the financial statements; and
- Statement of value of investments in respect of employees' retirement plan has been given in note to the financial statements for employee gratuity fund and note for employees' provident fund.

A photograph of the FFBL building, a modern structure with a stone facade and large windows. The FFBL logo is prominently displayed on the upper part of the building. The sky is clear and blue.

Renewed Identity

The pace and nature of transformation in today's business environment is very challenging for organizations. The Companies prepared for a world and business environment which is disappearing. Therefore, organizing for the future requires re-energizing the organization and its people and re-imaging the organization's purpose and identity.

As we transform FFBL into a future ready organization, we continue to rethink 'who we are', 'how we operate', 'how we grow' and how we can have a unique and lasting impact on our society. The Board has set a new strategic direction for FFBL, which is focused on sustainability, social responsibility with people's development at the core. We are embedding our renewed vision, mission and values in each of our projects, activity and task.

Vision

To be an inspiring business transforming opportunities into sustainable realities.

Mission:

Ensure business sustainability with a sharp focus on people development, growth, and stakeholder value, thus contributing to food security and the group's CSR efforts.

Values

Innovation

We encourage innovative practices that help set us apart in the marketplace. By challenging convention, we hope to create greater value for our stakeholders.

Teamwork

We believe that through collaboration with partners that

come from diverse cultures, we are better able to grow and achieve.

Perseverance

We create an environment that encourages everyone to perform to the best of their abilities to achieve the goals they have set out.

Diversity

We believe that by embracing diversity, with a country as ethnically diverse as Pakistan, we can add new perspectives that help us shape the marketplace and better serve the needs of our stakeholders.

Empowerment

We empower people so that they have the confidence to achieve greatness. Regardless of race or gender, we believe in delegating the right tools needed for everyone to achieve their goals.

Intellectual Capital

FFBL strongly believes in allocating resources to develop and sustain Intellectual Capital as we believe that it contributes significantly towards enhancing operational efficiency and securing competitive advantage in the modern technological era. As technology is dramatically reshaping industries after industries, our Information Communication Technology (ICT) function is at the heart of our digital transformation.

Information System

Over the years, FFBL has invested heavily in Information Technology infrastructure to enhance operational efficiency and enable effective and efficient decision making.

IT Governance Policy

Appreciating the relevance of IT governance in the overall corporate governance structure, FFBL has in-place a well-conceived IT Governance Policy aligned with the Company's operational and strategic objectives delivering value to its shareholders. The policy is designed to provide the management with an efficient operating and decision-making platform that helps in economizing operations, consequently adding value to all stakeholders.

ICT is keen on continuous structured assessment that provides a clear and objective understanding of the strengths and weakness of an enterprise's ICT processes against its business needs and defines a baseline to measure the success of any process improvements in compliance with Control Objectives of Business-related Information & Technology (COBIT), an ICT Governance framework.

Compliance is assured through Risk Management, review and monitoring of business systems and infrastructure projects, regulatory implementation and management of strategy, processes, technology and human force. The aim is to assure adherence to laws, regulations, guidelines and specifications relevant to the business. ISO Standards 27000 series is used for security control as well as risk management.

ICT Strategy Committee

FFBL Strategy committee is tasked to align ICT Services and Resources with the strategic direction of the organization. Committee carries out following actions:

- Approve all ICT Projects to enhance efficiency and realize full potential of ICT system.
- Monitor progress of all ICT Projects and compare with the planned progress.

- Approve ICT Policies to align FFBL's strategic objectives with ICT operations.

ICT Steering Committee

FFBL steering Committee has been established with the objective of deriving maximum value from all related ICT investments. It reports progress to ICT strategy committee on quarterly basis. Committee carries out following actions:

- Undertake projects which have been duly approved.
- Monitor progress of projects and compare with the planned progress as anticipated.
- Draft / Formulate ICT Policies according to strategic and operational needs.

Data Center Modernization

The idea of modern data center design by ICT Department in FFBL, comes down to creating an operation that is easy, convenient, and efficient. ICT Department planned to deploy automation in data center(s) through software-defined data center(s). As a first step, server virtualization at Islamabad and Karachi data center(s) were done which allows to create 72 virtual servers into 3 physical nodes (servers) cluster at each site, resulting therein reduced carbon footprint, lessen energy consumption, improved fault tolerance, near zero mean time to recover (MTTR) in any



Intellectual Capital

disaster situation with considerably improved Total cost of ownership (TCO) of ICT operations.

In the second step, network virtualization is targeted that will combine physical networking equipment into one software-based resource. In 2021 as first phase, Virtual Switching System (VSS) has been implemented at Karachi Data Center, a journey towards SDDC (software defined data center), that will help us in addressing our operational and

budgetary challenges of meeting internal customers' growing demand as well as reducing total cost of ownership (TCO) of ICT operations.

Enhancement in Network Security

Today's network architecture is complex and is faced with a threat landscape that is ever changing and demands continuous appraisal. FFBL ICT Department keeps a very close eye on growing

risk vectors in cyber security as well as on solutions that provide users with enhanced visibility into the computing devices on their enterprise networks. ICT Department implemented Cisco Identity Services Engine (ISE), a new generation of Network Admission Control (NAC) security tool, that will be helpful to meet today's ever-expanding attack surface, delivering not only visibility of the network environment, but also ensuring

enforcement and dynamic policy control.

The purpose of these policies is to outline a framework to protect systems and data from external threats and ensure compliance with international standards. Our policy manual is aligned with 2021 Cyber security Policy of Pakistan.

Finance and Control (FICO) Management Reporting Project

Most common challenge faced in the management reporting is fragmented data sources and manual dynamic formatting requirements especially for decision making. Despite the extended and time-consuming efforts, the question of integrity and credibility of such manual reporting is always questionable.

To overcome these challenges of manual entries & hectic time-consuming efforts, FFBL Finance together with ICT, implemented analytical reporting and dashboard design tool Qlik Sense as a single interface with data feed from SAP ERP and other data sources. Resultantly achieved efficiency,

enhanced visibility, better decision-making and efficient real-time analytics.

Success Factors (Performance & Goals Management) Implementation Project

SAP SuccessFactors has enabled FFBL to track real-time achieved goals and performances including self-service features for employees using people profile. To avoid duplications of work for employees' master data maintenance. SuccessFactors has been integrated with SAP on-premises solution as a single data source.

Disaster Recovery Plan

To ensure continuity of critical business processes and to safeguard stakeholder value, comprehensive business continuity strategy plays a vital role for the overall business objectives.

Business Continuity plan was prepared and a mock drill, as per

approved practice of FFBL, was carried out between our two Data Centers, Karachi and Islamabad. This drill helped in checking the response time by our respective team members, sequence of service restoration and verification of Recovery Time Objective (RTO) and Recovery Point Objective (RPO).

The Board realizing its responsibility, reviews its disaster recovery plans in order to minimize probability of operational disruption in case of disaster.

Enterprise resource planning

After implementation of SAP - ERP system in the Company, existing financial and supporting records have been archived using Database Management System (DMS) enabling timely and efficient retrieval. After completion of archiving, paper-based documentations are properly secured for legal requirements. A comprehensive password protected authorization matrix in SAP - ERP Systems is in place to ensure access to electronic documentation.



Social & Relationship Capital

While aspiring to lead in serving agriculture industry of Pakistan, FFBL also strives to maintain the highest level of social responsibility towards stakeholders. We have embedded our CSR strategy in our culture and our core values. We are committed to be the source of value creation for all of our stakeholders including the well-being of communities where we operate. We truly wish to have lasting impact on our society and believe in inclusive and sustainable growth.

Highlights of Corporate Social Responsibility

Philanthropic Donations

FFBL has regularly donated for the promotion of education, sports, basic health facilities for the under privileged and for national cause/welfare activities. CSR remains an ever evolving and continuous process at the heart of FFBL, striving to accommodate the local needs on priority basis, involving the community and local government.

We are aware of participative relationship that we share with society, persistently investing in the interventions related to education, health, sports and sponsorships. During the year, FFBL's monetary contributions towards this cause amounted to PKR 7.9 Million.

FFBL Energy Management Policy

As a company in an energy intensive business, FFBL considers that reducing energy intensity of its product is in best interest

of the Company and a corporate social responsibility. In pursuit of its interests and corporate social responsibility of preserving energy, FFBL has taken several steps towards Energy Conservation and Energy efficiency improvement. These include ammonia plant BMR, DAP revamp, commissioning of Hydrogen Recovery and Reverse Osmosis unit.

FFBL management believes that protecting the environment is not only an ethical and legal obligation but also a mechanism for success. The policy states:

"Fauji Fertilizer Bin Qasim Limited is committed to improve its energy performance and optimize energy cost by implementing best practices for energy management within all facilities including its subsidiaries".

FFBL has installed a 125 KW solar system, which is meeting 10% of the Head Office building's total load. Besides reduction in monthly electrical cost, it also adds to the step taken towards go green strategy and ultimately reduces harmful emissions and contributes


towards environment friendly systems.

Environment Excellence Awards 2021

FFBL was awarded with Environment Excellence Award at the 18th Annual Environment Conference & Excellence Awards 2021 ceremony by National Forum for Environment & Health (NFEH).

Environmental Protection Measures

FFBL recognizes its responsibility towards protecting, preserving and improving the environment since commissioning of plants. In order to streamline and strengthen its efforts towards the prevention of pollution in air, water and soil, FFBL achieved ISO certification of Environmental Management System in 2006. At present FFBL is certified according to latest version of EMS i.e. ISO 14001:2015. FFBL is also the forerunner fertilizer manufacturer in the country which opted for environment friendly Phosphate based cooling water treatment program. Addition of the latest equipment / instruments to enhance environmental monitoring is a regular feature at FFBL.



In pursuit to maintain flora and fauna, we focus on tree plantation both in and outside the plant premises and run awareness programs for our young engineers and operators.

Highlights regarding environment protection measures by FFBL that fulfils the environmental obligations, applicable to the company are as follows:

- To strengthen the competency of FFBL Laboratory; we are implementing ISO 17025 standard in Lab Unit. By implementing this ISO standard, FFBL Lab will be an accredited Lab in the list of Pakistan National Accreditation Council by the end of 2021.
- Effective in-house monitoring and control of gaseous emissions and liquid effluents.
- Use of environment friendly oxo-biodegradable polyethylene liner for packaging of DAP and Urea products. This initiative was taken by FFBL to fulfil the responsibility towards preservation of environment.
- Third party analysis of gaseous emissions and liquid effluents by SEPA approved Lab to fulfil the requirement as per Self-Monitoring and Reporting Tool (SMART) requirement of Sindh Environment Protection Agency (SEPA).
- Support to neighbouring industries for monitoring of gaseous emissions.
- Installation of Reverse Osmosis (RO) plant for water conservation and reduction in use of hazardous chemicals (sulfuric acid & Caustic) for Demin water production.
- Use of cooling water blow down for horticulture and as makeup water in FPCL Cooling Tower to preserve the non-renewable water resource.
- Sampling and analysis of exhaust from vehicles at Head Office & Plant Site, (including cars, buses and heavy plant machinery like cranes & fork lifters).
- Analysis of exhaust from Diesel Generators at Head Offices & Plant Site.
- Acquisition of license for use and storage of hazardous chemicals and substances under Sindh Hazardous Substance Rule 2014.
- Approval of FFBL Environment Management Plan (EMP) as per requirement of SEPA.
- Reporting of results of gaseous emissions and liquid effluents to SEPA on "Self-Monitoring and Reporting Tool" (SMART) program under the guidelines of SEPA.

Social & Relationship Capital

- World Wildlife Fund (WWF) has awarded diploma to FFBL for implementing effective Green Offices Operations at FFBL
- Focus on plantation of trees inside and outside the plant to minimize the disturbance in Ecosystem.

Certifications Acquired and International Standards Adopted

FFBL always aims to produce quality fertilizer which contribute towards increasing with due consideration to highest standards in health and safety and environmental impact. In this respect, FFBL has sought following recognitions and certifications

based on surveillance audits by independent third parties:

- ISO 9001: 2015- Quality Management System

ISO 9001: 2015 requires and organization to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction. FFBL is certified under ISO 9001: 2015.

- EMS 14001:2015 – Environment Management System

ISO 14001:2015 requires an organization to achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and

interested parties. FFBL has been certified under EMS 14001:2015 Environmental Management System.

- ISO 45001:2018- Occupational Health & Safety Management System

ISO 45001:2018 specifies requirements for occupational health and safety (OH&S) management system, and gives guidance for its use, to enable organizations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance. FFBL is certified under ISO 45001:2018.

In relation to above certifications, surveillance audit was carried out by Bureau Veritas Pakistan at plant site and Head office of FFBL and certificates were granted for another period of three years.





Human Capital

In today's rapidly transforming business world, the scarcest form of capital is the Human Capital as access to other forms of capital is relatively easy. Human Capital Management is fundamental to build the organizations for the future as talent has become the most apparent direct source of competitive advantage. As we organize for the future, we have put our people at the centre of our work by embedding people's development in our mission statement. We firmly believe that our people shall lead us in what we aspire to be.

Adapting to the New Normal

The outbreak of COVID-19 pandemic had severely affected all economic activities around the globe including Pakistan during the year. All industrial operations within the Country were practically slowed down or halted. Though some long-term HR projects aimed at improving HR operations and policies to enhance further efficiency were delayed, we regulated our HR operations efficiently through reduced

manning levels at work premises to minimize unnecessary exposure while systems were put in place to facilitate employees to work from home.

Talent Management and Development

At FFBL, we expect our leaders to serve as role models by developing and implementing business strategies in line with our corporate values. We expect them to have a positive impact on shaping day-to-day business,

motivating employees and fostering their development. We proudly claim that despite the onslaught of pandemic, our leaders and their teams made sustainable contributions to achieve FFBL defined annual targets and goals. Every employee played their role effectively with highest commitment while team leads led from the front under this crisis situation to ensure timely management of all operational and administrative activities.

Human Capital



SHARPEN YOUR SKILLS

LinkedIn Learning

FTBL now has unlimited access to over 5000+ high-quality learning resources covering a vast range of digital, business and creative skills.

Follow our instructions to activate account now
[@knowledge@ftbl.com](#)



Quality Content
taught by industry experts

Learn at your pace
with self-paced learning and short tutorials

On your Schedule
learn anytime from anywhere

Training and Development

The global workforce has been evolving as competitive business landscape, rising complexity, and the digital revolution are reshaping the mix of employees. This means that a vibrant workforce is more important than ever. We have embedded the learning and development of our people in our organizational strategy and core talent process.

We have built a culture of learning which drives our business forward. We offer a diverse learning and development opportunities during all stages of career growth of our people. In 2021, we arranged various online and in person training sessions aimed at personal and professional development of our people. We also provided Company wide access to LinkedIn's online Learning Experience Platform in order empower our people to develop the right skills.

Human Resource Management Policies

We continue to remain progressive and dynamic in our policies / practices to address Company's changing needs and remain aligned with contemporary market. The Human Resource Management policies focus on designing appropriate employee recruitment and development measures, which ensure availability of competent personnel for each function according to the emerging and ever-changing needs and challenges faced by the Company.

Our talented and committed people are key to everything we do for our Company, our stakeholders, our innumerable customers and to the future of the Country.

FFBL is transforming its Human Resource department as envisaged in the new mission statement “PEOPLE DEVELOPMENT”. New HR strategy consists of following:



Organization Review

During the year organization review has been carried out to address inflated manpower and make it more dynamic. Responsibilities and roles are refined so enhance employee's overall performance by minimizing the deviation from set goals and targets.

of organization. Tracking employee engagement is important in determining whether or not our employees are happy and how long they'll stay with FFBL. The primary reason was to see exactly what is it about FFBL that drives our employees. Overall 98% response rate which gives us high level of confidence in the data.

To improve our employee engagement index in future, our priorities area are: "Training, Compensation & Benefits, career growth and performance system"

Based on survey results action plan has been prepared and incorporated in HR Transformation ROAD MAP 2021-2023

Employee Engagement Survey

An Employee Engagement Survey was conducted in FFBL for the 1st time in Year 2021 to measure pulse

"Quality, Customer Focus, Teamwork & Cooperation and infrastructure came out as strength of FFBL"

Diversity and Inclusion

FFBL offers a respectful culture and environment where all employees feel comfortable, included, and accepted, and are happy to participate and share their opinions. FFBL is an employer which provides equal opportunities irrespective of gender, ethnicity and religion hence, creating an exclusive blend of cultural diversity.



Human Capital

Compensation and Benefits policy

FFBL believes and understands that compensation & benefit policies are key in building goodwill for the organisation amongst the employees. To meet the organisational objective of attracting, rewarding and retaining talent. Compensation & Benefit policies at FFBL are not only market competitive but also provide an excellent benefit program for its employees including performance rewards and retirement benefits.

Health Care Policy

FFBL ensures the provision of health care facilities to its employees and their families.

Employees good health has always been a matter of concern for FFBL. In order to have multiple options available for medical treatment, FFBL has taken top class hospitals, labs and dental clinics on its panels which provide state of the art treatments and services to its employees.

Leave Policy

FFBL's management believes in work-life balance and understands that employees besides their business commitment need some time off for relaxation and recuperation which is vital for employee's motivation. FFBL has introduced Paternity leave to facilitate the male employees to support their spouses and to celebrate their happiness together.

Recruitment Policy

Our recruitment policy is designed to attract the best talent that ensures fair and merit-based hiring at all levels. Selection includes considering a number of factors such as individual's skills, qualifications and company's requirements. Everyone is given a fair opportunity to perform to the highest standard and progress within the organization.

Health and Safety

Health and safety are among the Company's highest priorities. We strive to minimize the negative health impact at workplace, at our adjacent communities and in the supply chain.

Occupational Health and Safety

We are committed to maintain an incident free environment by giving safety the highest priority. To achieve the goal of incident free atmosphere, a robust system of checks and balances is in vogue which includes series of activities i.e. Management safety audits, Behaviour based safety audits, weekly safety meetings, emergency mock drills, safety slogans/housekeeping competitions, Job safety analysis, HAZOP study of plant's operating units and skill improvement safety trainings.

COVID-19 RESPONSE

The management established in house COVID Response Committee (CRC) led by the head of Health Services Function. The committees formulated regulations, SOPs and provided operating guidelines on different aspects of business, including workplace management, operational & materials management, IT management, well

being of employees and families and community assistance.

The Company performed thermal scanning for all employees and other personnel entering the office premises. Employee travel, both inland and foreign, were discouraged and 14 days quarantine period was mandatory for inevitable cases. Day-care facilities were discontinued and relevant female employees were facilitated to work from home. The Company regularly monitored workforce management regulations and employees were encouraged to work from home with support from Information Communication Technology department.

The Company encouraged its employees and their families to get COVID vaccine during the year and also arranged administration of booster dose for all employee and their families towards the year end at office premises.

IFA Protect and Sustain Certification

FFBL has also achieved the IFA 'Protect and Sustain Product Stewardship Certification' demonstrating exemplary commitment towards management of safety, health and environmental issues related to our product's life cycle by securing highest ever average score in Pakistan.

Membership Certificate of National Security Council, USA

FFBL's Plant sites operate under strict health, safety and environmental controls with immaculate monitoring. The Company's HSE&Q department shared its statistics with National Safety Council (NSC), USA and received a Membership Certificate for the Year 2020-2021.

Health, Safety and Environment Award 2021

FFBL has been awarded the "Health, Safety & Environment Performance Award 2021", in recognition of our commitment and remarkable effort towards health, safety and environment activities by United Nations Environment Programme (UNEP)

National Fire and Safety Award

FFBL was awarded with Fire Safety Award 2021 at 11th Annual Fire Safety & Security Convention.

by National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP)

HSE Awards

Award & Recognition:

Alhamdulillah, FFBL has been awarded the "Health, Safety & Environment Performance Award 2021", in recognition of our commitment and remarkable effort towards health, safety and environment activities.



FIRE SAFETY AWARD 2021

FFBL was awarded with Fire Safety Award at 11th Annual Fire Safety & Security Convention and Awards Ceremony hosted by the National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP), at Marriot Hotel Karachi on 09 December 2021.



ENVIRONMENT EXCELLENCE AWARDS 2021

FFBL was awarded with Environment Excellence Award at the 18th Annual Environment Conference & Excellence Awards 2021 ceremony, hosted by the National Forum for Environment & Health (NFEH), at Karachi. The award was presented by Syed Nasir Hussain Shah, Minister for Local Government, Government of Sindh.



The Award & Certificate were awarded during the "7th International Summit on Environment, Health and Safety 2021", organized by The Professionals Network, supported by United Nations Environment Programme (UNEP) at Marriott Hotel, Karachi on 14 Jul 2021.

Process Safety Management

The company is in the process of implementing Process Safety Management (PSM). The intent of PSM program is to avoid “loss of containment of hazardous materials” and ultimate goal is to improved the safety culture. PSM is the application of programs, procedures, audits and evaluations to a manufacturing or industrial process to identify, understand and control process hazard risks, creating systematic business

improvements and safety standards. Integration of PSM with existing management system will improve efficiency and reduce costs.

Other initiatives launched by the Company to inculcate HSE practices amongst our employees are:

- Bi-annual Health examination of FFBL employees
- Management Safety Audit
- Risk Assessment Workshop (JSA / HAZOP)
- Hazardous Waste Management

- Ergonomics Evaluation and Health Risk Assessment
- Safety recognition and incentive schemes
- Emergency response trainings for Operations
- COVID 19 protocol & 100% vaccinated site
- Initiated COS workers Safe Man hours statistics

With strong emphasis on elimination of safety hazards, following safe work practices and emergency response, the Company achieved following safety statistics in year 2021.

OUR HSE PERFORMANCE

	2021
Total Recordable Injury Rate (TRIR)	Nil
Lost Time Injury (LTI)	Nil
Safe Man Hours Without LTI (Million Man Hours)	22.48 M
Days without any LTI (as on 31 st Dec 2021)	4700

Our Investments

FFBL POWER COMPANY LIMITED (FPCL)

FPCL, a coal fired 118-Megawatt electric power project within FFBL fertilizer complex, was conceived to overcome energy crises in Pakistan. FPCL, on one hand, ensures reliable, uninterrupted and affordable supply of electricity to national grid through K-Electric and, on the other hand, it also saves natural gas by supplying electricity to FFBL's fertilizer plant as earlier FFBL used to produce electricity through natural gas.

FPCL achieved commercial operations date (COD) on May 19, 2017. The total cost of the project was around US\$ 291 million with debt to equity ratio of 72:28. FFBL holds 75% shareholding in the project. The power generated is used for existing fertilizer complex as well as for export to K-Electric.

Financial Highlights

During the year ended December 31, 2021, FPCL achieved electricity production of 579,100 Megawatt and steam production of 1,369,156 Metric Tons. This resulted in sales revenue of PKR 20.7 Billion (2020: PKR 16.6 Billion). FPCL reported gross Profit of PKR 5.9 billion (2020:

PKR 6.4 billion) and net profit after tax of PKR 3.6 Billion (2020: PKR 3.8 Billion). Earnings per share (EPS) translates to PKR 4.23 (2020: PKR 4.43).

During the year FPCL has paid dividend of PKR 3.20 per share amounting to PKR 2.7 billion as against dividend of PKR 2.7 billion paid last year.

The principal loan repayment under the Long-Term Finance Facilities amounting to PKR 2.1 Billion have been made during the year well in time.

Risks

The dispatch of electricity by FPCL to K-Electric is subject to Merit Order Criteria as per NEPRA's decision. Therefore, increase in international coal prices with resulting increase in cost of electricity production can impact the Company's rank in merit order.

The risk is also being mitigated through efficient coal procurement. Moreover, it is also expected that international coal prices shall reduce in near future.

Changes in Board

Following are changes to the board of directors during the financial year 2021:



Future prospects

The demand of affordable electricity is expected to rise in line with growth in economic activity and coal-based power generation is anticipated to remain pivotal in our overall electricity generation mix. The Company is focused on optimal coal procurements in wake of current prices which are expected to fall in future. Looking ahead, we remain optimistic and anticipate the Company to continue fuelling the communities and industries through electricity.

Mr. Arif Ur Rehman	Appointed, Director & CEO	October 16, 2021
Lt Gen Tariq Khan, HI (M), (Retd)	Resigned, Director	October 16, 2021
Mr. Masoom Hussain	Resigned, Director	August 11, 2021
Mr. Shakeel Haider	Resigned, Director	March 25, 2021
Mr. Tassawor Ishaq	Resigned, Director	June 04, 2021
Mr. Khurram Shahzad	Appointed, Director	June 04, 2021
Mr. Tahir Jawaid	Appointed, Director	August 11, 2021

Our Investments

FAUJI FOODS LIMITED

Fauji Foods Limited, a majority owned Company of Fauji Fertilizer Bin Qasim Limited (71.63% shareholding), is engaged in processing and marketing of dairy products. The Company's brands include the House of Nurpur, a range filled with top line dairy products. Nurpur's portfolio of brands ensures quality and nourishment to our consumers. In addition, the company is also engaged in tea creamer category providing the Pakistani consumer with a leading brand i.e. DOSTEA.

Operational and Financial Highlights

The company, in face of all external challenges, achieved an impressive 16.5% growth in net revenue, PKR 8.6 billion compared with PKR 7.4 billion in 2020. This performance

shines further as we maintained our Operating Expenses in relation to the previous year. The company rode the wave of challenges faced during COVID to achieve this feat. The Operational Losses for the year decreased by a mammoth 60%, further reinforcing the growth trajectory and fortifying financial health of the Company. This figure is all the more impressive when we account for the challenges posed by inflationary and socio-economic pressures.

Growth momentum picked up a strong pace during 2021 and trajectory shows a very encouraging trend. This growth provides a concrete foundation for the company to build its future on. It has helped the Company attaining a healthy contribution margin that continues improving the gross profit trend. A gross profit of PKR 921 million in 2021 compared with a gross profit of

PKR 62 million in 2020 is testimony of the direction and outcome of the reshaped business model.

Through fundamental business model improvements, the company was able to achieve its targeted growth, and profit recovery. These improvements were only possible by relying on a culture of consumer and customer centricity. The optimal use of value chain aids in driving effectiveness and operational efficiency across the Company. Under the presence of

a dynamic leadership, capabilities were enhanced and a cross functional model helped the Company in achieving its targets in a seamless manner.

Building a Heritage of Dairy through Innovation/Renovation

Key foundation blocks of our strategy include relying on the innovation/renovation program. We aim to leverage our iconic NURPUR brand and its portfolio.

Nurpur Cream is the brand-new entrant in the market. Its growth pattern has suggested that our consumers look towards Nurpur for quality and nourishment.

Keeping the consumer convenience at the forefront of our thought, the all-time favorite Nurpur Butter was launched in a butter tub. In addition, keeping the consumption trends in mind, a variant of Unsalted Butter was introduced, which now acts as a staple for every household.

Nurpur Cheese came in to the picture with a revamped packaging and improved quality further fortifying our position in the consumer's mind of being the 'dairy expert'.

Further exciting launches are in the pipeline. Consumer testing of our innovation funnel (products, concepts) is showing promising

opportunities for the Company moving forward.

Satisfying Customers' needs and reaching Trade Collaborators

Growing numeric distribution in general trade, and increasing presence with important customers such as key retail accounts and key out-of-home customers, is a vital part of our expansion strategy. Optimal execution is increasing reach, enhancing customer satisfaction, and bringing growth to our business.

Improving Operational Efficiency in Supply Chain and Production

Our strategy includes a big focus on improving cost competence across our value chain.

Benchmarking, target setting and implementation of cost management initiatives is enabling significant progress in variable as well as fixed costs.

Strengthening Milk Collection, Agri Services and Key Raw Materials Procurement Expertise

Improvement of capabilities and supplier/farmer development initiatives strengthens our sustainability of milk supply and other key raw materials.

Purpose Led Sustainable Development

Our sustainable value chain plays a vital role in upholding a promise of health and nutrition to our community. Our milk collection & agri services teams ensure we look after the farmers and help their communities in achieving sustainability in the process. This strategy plays a key role in ensuring we have a robust value chain that can withstand an unprecedented time like the Covid pandemic.

Touching Consumers Hearts and Minds Through Digital, Sampling And Direct Consumer Activities

NURPUR consumers love their favorite brand. To bring exciting news regarding our innovations, "Try, Taste, Love" was used for cheese and "Tastefully Yours" for cream, respectively, our "consumer call for action" has been activated on relevant consumer touchpoints.

Working Capital Efficiency and Improving Financial Management

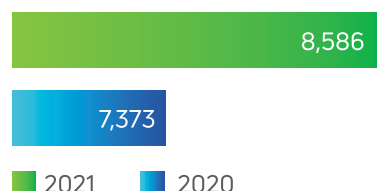
Improvement in cash conversion cycle is brought through efficient working capital management. This has further been supported by reduction of debt servicing

Our Investments

Rs. million

Description	2021	2020	%
Net sales	8,586	7,373	16%
Gross profit	921	62	1,379%
EBITDA	(20)	(428)	95%
(Loss) after tax	(1,253)	(3,058)	59%

Revenue (Rs. M)



expense achieved through right issue / conversion of sponsors' loan into equity.

Financial Performance:

The Company has posted a gross profit of PKR 921 million in 2021 compared with a gross profit of PKR 62 million in 2020. These positive changes are attributable to innovation/renovation, product and channel mix improvement, pricing, cost optimization and efficient expansion in sales/distribution.

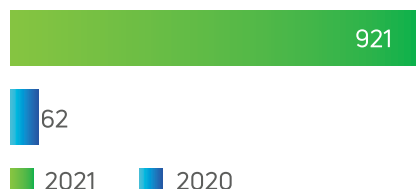
Raw milk cost, however, remained somewhat challenging, though our strategy to strengthen our milk collection is already starting to provide benefits. The loss after tax for the year 2021 has reduced by 59% and stood at PKR 1.3 Billion compared to PKR 3.1 Billion in 2020.

18,000 million Shares of Rs. 10 /- each from 10,000 million Shares of Rs. 10 /- each. Further during the year Board of Directors on September 04, 2021, approved 97.2% right issue of shares of the Company in aggregate amount of PKR 7,807,945,960 (Seven Billion Eight Hundred Seven Million Nine Hundred Forty-Five Thousand Nine Hundred Sixty) divided into 780,794,596 (Seven Hundred Eighty Million Seven Hundred Ninety-Four Thousand Five Hundred Ninety-Six) shares of PKR 10 each. The issuance of right shares has strengthened the Company equity & funds will be utilized to decrease debt burden of the Company.

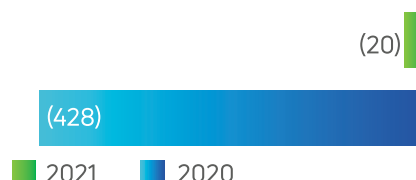
Risks

Risks faced by the Company are not significantly different from those posed to other companies working in the dairy sector. Risks are reviewed by the management through a robust business and risk management process. Appropriate strategies and contingency plans are regularly reviewed to minimize the potential impact associated with these risks. Key risks and uncertainties include increasing input cost due to rising inflation, macroeconomic uncertainties which may affect consumer

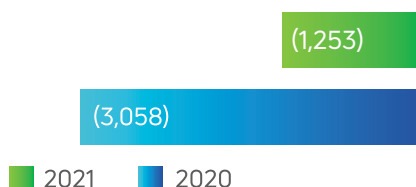
Gross Profit (Rs. M)



EBITDA (Rs. M)



Loss After Tax (Rs. M)



Increase in Authorized Capital and Right Issue

In the Extraordinary General Meeting held on July 28, 2021, Shareholders have approved, through a special resolution, an increase in Authorized Capital to



demand and changing Government policies especially relating to tax regime applicable to dairy and food sector.

COVID and Related Measures

Challenges related to the constant threat of COVID are being thoroughly monitored and proactive precautions and mitigation measures are in place. To ensure health and safety of everyone, mandatory COVID related SOPs for employees and service providers are implemented. This includes, face masks and maintenance of prescribed social distance at all

times. Moreover, all efforts are being made to ensure smooth supply to trade and consumers.

Future outlook

The Company is on the path of recovery from operating losses, as evident from the results for the year 2021. Growth and operational efficiency are being driven through a focused multi pronged strategy.

Innovation/renovation

Exciting "NURPUR" innovations and pilot launches are planned for the future.

Changes in Board

Following are the changes in Board of Directors of FFL during the financial year 2021:

Lt Gen Tariq Khan, HI (M), (Retd)	Resigned, Director	October 15, 2021
Ms. Samia Irami	Appointed, Director	November 26, 2021
Lt Col Abdul Khaliq Khan (Retd)	Resigned, Director	November 26, 2021
Ms. Aminah Zahid Zaheer	Resigned, Director	November 26, 2021
Mr. Sarfaraz Ahmed Rehman	Resigned, Chairman	November 26, 2021

Our Investments

FAUJI MEAT LIMITED (FML)

FML, built with the aim and capacity to provide 100 percent certified halal meat, was incorporated in 2013 as a subsidiary of the Company. FFBL holds 90.18 percent shares of FML.

The principal activity of FML is processing of Halal Edible Meat from its plant with designed annual production capacity of 30,000 Metric Tons. FML is engaged in processing and sales of Halal meat from its plant for its local and export segment. FML also executed commercial slaughtering services for third parties, to absorb fixed costs and enhance capacity utilization and as additional income stream for the organization.

Operational and Financial Highlights

During the year ended December 31, 2021, FML achieved actual production of meat of 4,634 tons from its Plant including tolling, against 3,409 tons in year 2021, posting volumetric increase of (36%). The plant capacity utilization has increased from 12% in 2020 to 15% in 2021. FML sold 118 tons in the domestic market.

Operational activity during the year remained lower, with nil export due to liquidity issues. FML maintained its focus on tolling activity to absorb fixed costs.

B2B segment of FML remained lower in retail outlets but company's flagship "Qurbani Project" performed well which was undertaken during Eid Ul Azha event and generated sufficient revenues.

Execution of commercial slaughtering services for third party customer was initiated on a limited scale in year 2019. After formal approval from Board, FML successfully executed 4,535 tons on tolling activity during 2021 as compared to 3050 tons in 2020

During the year ended on December 31, 2021, FML recorded sales revenue of PKR 100 million (2020: PKR 428 million). FML suffered gross loss of PKR 510 million (2020: PKR 470 million) and net loss after tax of PKR 1,111 million for the year ended December 31, 2021 (2020: PKR 1,530 million). Main reasons for the loss include reduction in plant operations, finance cost and high unabsorbed fixed cost.

Risks

Sourcing of animals with required specification and at competitive prices is a challenge faced by FML, further enhanced due to COVID-19 pandemic outbreak. FML is making all efforts to streamline the procurement process by diversifying procurement by including live animal procurement channel and bulk distribution deals for export segment.

Slow recovery of receipts from international customers is a major factor leading to liquidity crunch, higher cost of financing as funds are tied up with debtors. In order to streamline the receipts flow, FML has formed management's committee and engaged asset management & recovery companies to expedite recoveries to improve cash flows.

Non-availability of access to China, European and US markets due to gaps with import regulatory conditions FMD factor and tough price competition from Indian side in the Middle East market (leading to lower profit margins) is obstacle in achieving growth in international markets.

Future Prospects

The Management is making all out efforts to secure approval of direct export to China and is actively involved with the concerned Ministry together with in house efforts from highest level of Management. China is a huge market of meat products worth approx. US \$14 billion and also has lot of potential for offal sales. Expansion of export market and repetitive sales to existing customer base is prime objective of FML.

On retail side, due to escalating demand from local customers, FML is planning to expand retail coverage through franchising.

Changes in Board:

Following are the changes in Board of Directors of FML during the financial year 2021:

Mr Arif Ur Rehman	Appointed, Chief Executive	October 11, 2021
Mr. Sarfaraz Ahmed Rehman	Resigned, Chief Executive	October 11, 2021
Lt Gen Tariq Khan, HI (M), (Retd)	Resigned, Chairman	October 15, 2021
Mr. Sarfaraz Ahmed Rehman	Appointed, Chairman	October 16, 2021

ASKARI BANK LIMITED

Askari Bank's branch footprint comprises 559 branches, including 101 Islamic Banking Branches, a Wholesale Banking Branch in Bahrain and a representative office in Beijing, China. The Bank's entity rating assigned by Pakistan Credit Rating Agency Limited (PACRA) stands at AA+ reflecting sustainability of the Bank's relative positioning and continuous improvement in capital adequacy driven by AKBL's strong sponsors and brand, continued growth trajectory, improvement in net spreads and increase in earning assets. The short-term rating was maintained at 'A1+'.

FFBL holds 21.57% stake and reported consolidated other income from AKBL as Rs 2,040 million (2020: Rs 2,342 million).

FFBL received dividend of Rs 815 million during the year from AKBL.

PAKISTAN MAROC PHOSPHORE

Pakistan Maroc Phosphore S.A. Morocco (PMP) is a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Office

Cherifien Des Phosphates, Morocco to manufacture phosphoric acid primarily for the Company, and to market additional production. Total capacity of PMP is 375 KT per year. Total Cost of the project is 250 Million USD with FFBL's share of 25%.

The overall performance of PMP remained satisfactory during Jan – Dec 2021 period. PMP produced 419 KT of P2O5 during the year and sold 422 KT as against production of 352 KT and sale of 355 KT respectively in the corresponding period.

PMP has posted a profit of PKR MAD 564 Million (USD 62 Million) for the nine months period ended 30 September 2021 (2020: MAD 161 Million (USD 18 Million).

As at September 30, 2021, the accumulated profit was MAD 733 Million (46% of equity).

FFBL reported share of profit from PMP in its consolidated financial statements at PKR 2,669 million (2020: PKR 839 million).

PMP paid dividend of MAD 125 million during the year related to the year ended 2020.

Internal financial control

Boards of the respective subsidiary companies have established efficient and effective systems of internal financial controls. Implementation of these controls is regularly monitored by an independent Internal Audit function which reports directly to the respective Audit Committees. Audit Committees of the companies, review on quarterly basis, the effectiveness and adequacy of the internal control frameworks and financial statements of respective companies.

Sustainability

Our sustainable value chain plays a vital role in upholding a promise of health and nutrition to our community. We look after the farmers and help their communities in achieving a sustainable process. This strategy plays a key role in ensuring we have a robust value chain that can withstand an unprecedented time like a COVID pandemic.

Forward Looking Statement

How future plans are made

Board of Directors of the Company set short term and long-term objectives as well as strategies which define the overall operational and financial plans. The strategies and plans are based on historic data, prevalent conditions, relevant situation and prospective expectations based on reliable information and acumen. Overall direction of the Company, including objectives, strategies and action plans are regularly monitored by the Board in their statutory meetings and required modifications are made based on actual results or changes in market conditions as compared to those which were envisaged at the time of initial planning.

Key functions/ units of the Company arrange required information which is collaborated with externally acquired information based on factors such as, macro and microeconomic indicators, market trends, International fertilizer price forecasts, data from Governmental agencies including regulatory/ taxation authorities, seasonal variations, and competitors' actions. This data is used for forecasts/ projections and a practical plan is presented to the board for evaluation, insight and approval. In case of investment related decisions, the Company

performs an extensive due diligence process, comprising of legal, financial, market and technical feasibility studies with assistance from subject matter external experts.

Surrounding uncertainties and our response

Pakistan is at the crossroads between nutrition and energy in the wake of squeezing domestic and international gas supplies. With appropriate support from policy-makers the fertilizer industry can play a vital role in ensuring food security and reducing malnutrition. In order to address the situation, the Company is making efforts and is in regular discussion with relevant stakeholders to secure uninterrupted supply of gas and is also evaluating other options.

The GIDC liability based on the Judgment of Supreme Court of Pakistan in 2020, as being interpreted by the Government, has the potential of significantly impacting the cash management over a number of years. The Company is making efforts for factual determination of the GIDC in accordance with the judgement of Supreme Court of Pakistan at available forums and is hopeful of a favourable outcome. Moreover, as per applicable financial reporting standards, Earnings of the Company for the

next three years shall also be impacted by the reversal of the temporary accounting gain on the outstanding GIDC liability recorded during 2020.

Continuously rising receivables from the Government are exerting pressure on cash management and the Company has to resort to external borrowing. These receivables primarily relate to subsidy and sales tax refunds. Sales tax refunds are piling up due to reduced sales tax rate applicable on sale of fertilizer and a higher sales tax rate applicable on purchase of raw material and services. The Company is a part of industry level efforts with the Government for release/ payment of these outstanding receivables. However, till the settlement, the Company's cash management shall be under pressure and external financing shall impact the profitability.

The role of the Governments has always been of utmost importance for organizations and economy to thrive. We remain confident in our expectations from the Government and anticipate policy measures to stimulate development, accelerate growth and encourage vibrant competition among organizations in our economy.

Looking ahead, while considering the Government's priorities including development of agriculture sector, ensuring food

availability and quality in wake of increasing population, increasing awareness among farmers on balanced use of fertilizers in enhancing soil quality and productivity, current market position and future strategy of FFBL, we remain optimistic on FFBL's contribution towards national food security while being a reliable source of sustainable value creation for our stakeholders.

For and on behalf of the Board of Directors of
Fauji Fertilizer Bin Qasim Limited



Waqar Ahmed Malik
Chairman



Arif-Ur-Rehman
Chief Executive Officer

Page # 144 to 165 i.e, '**Urdu Version of the Report**' has been deleted to reduce file size below 15 MB (as authorized by PSX Portal).

However, full version of the report is available at FFBL corporate website i.e,
www.ffbl.com

Financial Statements

For the year ended December 31, 2021

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Audit Committee Report

Composition of the Audit Committee

The Audit Committee of FFBL Board of Directors comprises of four Non-Executive Directors, out of which two members including the Chairman are independent.

All the Committee members are financially literate and the Committee as whole possesses significant economic, financial and business acumen.

Names of the Audit Committee members are as follows.

- | | |
|------------------------|-----------------|
| • Mr Moeez ur Rehman | Chairman |
| • Dr Nadeem Inayat | Member |
| • Ms Saira Nasir | Member |
| • Syed Bakhtiyar Kazmi | Member |

Profiles are given in Directors' profile section of the Annual Report.

Chief Financial Officer of the Company attends the meeting by invitation, whereas the Head of Internal Audit attends all Audit Committee meetings. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Chief Financial Officer and Head of Internal Audit. Meetings of the Audit Committee are held at least once every quarter. During the year, seven (07) Audit Committee meetings were held.

Company Secretary also functions as the Secretary of the Committee.

Charter of the Committee

The Terms of Reference of the Committee are clearly defined in the Charter of the Committee which is duly approved by the Board of Directors. The salient features are stated below:

- Review of annual and interim financial statements of the Company including Director's Report, prior to their approval by the Board of Directors.
- Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
- Review of the scope, terms of reference and extent of internal audit, audit plan, reporting framework and procedures, and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.

- Review the annual business plan/budget, including cash flow projections, forecasts and strategic plans before recommending it to the Board.
- Facilitating the Board for effectiveness of risk management procedures.
- Ensuring effectiveness of whistleblowing mechanism.
- Monitoring compliance with laws and regulations.

Role of the Audit Committee

The Committee assists the Board to effectively carry out its supervisory oversight responsibilities on financial reporting and compliance, internal controls and risks, and internal & external audit functions of the Company. The Committee believes that it has fulfilled its responsibilities, in accordance with Terms of Reference.

The Committee, based on its annual review of the Company's performance, financial position and cash flows, reports that:

- The separate and consolidated financial statements of the Company for the year ended December 31, 2021 have been prepared on a going concern basis under requirements of the Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations.
- These financial statements present a true and fair view of the Company's state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements.
- The auditors have issued unmodified audit reports in respect of the above financial statements in line with the Auditors (Reporting Obligations) Regulations, 2018 issued by SECP.
- The Chairman of the Board, Chief Executive Officer, one director and the Chief Financial Officer have endorsed the separate and consolidated financial statements of the Company, while the Directors' Report is signed by Chairman and Chief Executive Officer. 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 Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- All related party transactions have been reviewed by the Committee prior to approval by the Board.

Audit Committee Report

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the External Auditors of the Company.
- Understanding and compliance with the codes and policies of the Company has been affirmed by the members of the Board, the management and employees of the Company. Equitable treatment of shareholders has also been ensured.
- Trading and holding of Company's shares by Directors & executives or their spouses and dependent children 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. All such holdings have been disclosed in the Pattern of Shareholdings.
- 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.

Risk Management and Internal Control

- The Company has developed a sound mechanism for identification of risks, assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review.
- The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function.
- The Internal Audit department is responsible for monitoring of compliance, inherent and other risks associated with operations of the Company.
- The Company's approach towards risk management has been disclosed in the risk assessment portion of the Annual Report. The types and detail of risks along-with mitigating measures are disclosed therein.
- The Audit Committee reviewed the procedures established for receipt, retention and treatment of concerns including anonymous complaints. Effective whistleblowing mechanism is in place and is being handled in a fair and transparent manner while providing protection to the complainant against victimization.

Internal Audit

- The Company's system of internal controls is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the Company.
- The Internal Audit Department carried out independent audits in accordance with an internal audit plan which was approved by the Audit Committee. Further, the Audit Committee has reviewed material Internal Audit findings and management's response thereto, 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 Audit

- The Audit Committee without interfering with the independence of external and internal auditors encouraged coordination between them in the discharge of their respective duties.
- The external auditors of the Company, M/s. EY Ford Rhodes, Chartered Accountants, have completed their audit assignment of the separate and consolidated financial statements and the "Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019" of the Company for the year ended December 31, 2021 and shall retire on the conclusion of the 28th Annual General Meeting.
- The Board Audit Committee has reviewed and discussed Key Audit Matters and observations with the external auditors. The final Management Letter including such audit observations is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements as required by the Code of Corporate Governance and shall therefore, accordingly be discussed in the next Board Audit Committee meeting.
- M/s. EY Ford Rhodes, Chartered Accountants has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and they are registered with Audit Oversight Board of Pakistan. The firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP and have indicated their willingness to continue as auditors for the year ended December 31, 2022.

Audit Committee Report

- Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending December 31, 2022.

Annual Report 2021

The Company has issued a comprehensive Annual Report which besides presentation of the financial statements and the Directors' Reports of the Company, also discloses other information to offer an in depth understanding about the management style, the policies set in place by the Company, its performance during the year, and future prospects to various stakeholder of the Company.

The information has been disclosed in the form of ratios, trends, graphs, analysis, explanatory notes and statements etc., and the Audit Committee believes that the Annual Report 2021 gives a detailed view of how the Company evolved, its state of affairs and future prospects.



Moeez ur Rehman

Chairman – FFBL Audit Committee

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: Fauji Fertilizer Bin Qasim Limited

Year ended: December 31, 2021

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are 12 as per the following:

Male:	10
Female:	02

2. The composition of the Board is as follows:

Independent male Directors	2
Independent female Directors	2
Non-Executive Directors	7
Executive Director	1

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. 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.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All Directors of the Board are certified under "Directors' Training Programme" except one.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

i) Audit Committee

- Mr Moez ur Rehman, Chairman (Independent Director)
- Dr. Nadeem Inayat, Member (Non-Executive Director)
- Ms Saira Nasir, Member (Independent Female Director)
- Syed Bakhtiyar Kazmi, Member (Non-Executive Director)

ii) HR and Remuneration Committee

- Ms Pouruchisty Sidhwa - Chairperson (Independent Female Director)
- Mr Qamar Haris Manzoor, Member (Non-Executive Director)
- Mr Sarfaraz Ahmed Rehman, Member (Non-Executive Director)
- Syed Khalid Siraj Subhani, Member (Independent Director)

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

iii) Investment Committee

- Dr Nadeem Inayat, Chairman (Non-Executive Director)
- Mr Arif-ur-Rehman, Member (Executive Director)
- Mr Qamar Haris Manzoor, Member (Non-Executive Director)
- Ms Saira Nasir, Member (Independent Female Director)
- Syed Bakhtiyar Kazmi, Member (Non-Executive Director)

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- | | | |
|-------------------------------|---|-------------------|
| Audit Committee | - | Quarterly |
| HR and Remuneration Committee | - | Quarterly |
| Investment Committee | - | On required basis |
15. The Board has set up an effective internal audit function staffed with persons who are suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Mr. Waqar Ahmed Malik
Chairman



Mr Arif ur Rehman
Chief Executive Officer

Date: 21 February 2022
Place: Islamabad

Independent Auditor's Review Report

To the members of Fauji Fertilizer Bin Qasim Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Fauji Fertilizer Bin Qasim Limited (the Company) for the year ended 31 December 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2021.



Chartered Accountants

Place: Islamabad

Date: 21 February 2022

UDIN: CR202110079ErXt5pHJ

Independent Auditor's Report

To the members of Fauji Fertilizer Bin Qasim Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Fauji Fertilizer Bin Qasim Limited (the Company), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountant's Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Investments in Fauji Foods Limited – subsidiary company	
<p>The Company has gross equity investment in Fauji Foods Limited (FFL) amounting to Rs. 13,347 million (after conversion of sub-ordinated loan amounting to Rs. 5,925 million during the year upon a right issue) as of 31 December 2021. This represents 71.6% (2020: 67.5%) shareholding in FFL. As of 31 December 2021, the Company has recognized allowance for impairment amounting to Rs. 820 million (2020: Rs. 820 million).</p> <p>Furthermore, sub-ordinated long-term loan amounting to Rs. Nil (2020: Rs. 5,925 million) is outstanding as of 31 December 2021.</p> <p>As of 31 December 2021, not yet due accrued markup receivable from FFL amounted to Rs. 750.5 million. The Company has issued a standby letter of credit amounting to Rs. 1,000 million in favor of FFL under the Master Facility Agreement. The Company has also agreed to provide a financial revolving guarantee to the bankers in favour of FFL, amounting to Rs. 6,067 million.</p> <p>FFL, a company listed with Pakistan Stock Exchange, wherein the Company made its initial investment in 2015, has been consistently incurring losses, since 2013. As of 31 December 2021, the accumulated losses and net assets of FFL, as disclosed in its financial statements, amounted to Rs. 16,388 million and 3,526 million, respectively.</p> <p>These factors, in addition to others indicate that the Company's investments in FFL might be impaired.</p> <p>In accordance with the requirements of IAS 36, the Company has performed impairment assessments by comparing the carrying value of the Company's investment in FFL to its recoverable amount to determine whether an impairment is required to be recognized. For this purpose, management has used discounted cash flow method to determine the value in use of FFL. The assessment of Expected Credit Losses has also been carried out in respect of financial guarantee and collateral support.</p> <p>Following key assumptions have been used as basis to determine the value in use:</p> <ul style="list-style-type: none"> • Discount rate • Period of sustained growth; and • Long-term market growth-rate 	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> • Understood the Company's process for identification of indicators of impairment and, selection and application of methods to determine recoverable values of its equity investments. • Assessed whether the value in use model was in accordance with the requirements of IAS 36 "Impairment of assets". • Checked the mathematical accuracy of management's valuation model and agreed relevant data to the underlying Company's records. • Assessed the reasonableness of key assumptions used in valuation model with focus on discount rate, period of sustained growth and long-term market growth-rate. • Analyzed the Company's sensitivity analysis which was based on multiple scenarios with varying weightages. • Obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecasts for current year with actual results. • Assessed the adequacy of disclosures made in the financial statements in accordance with the requirements of the applicable accounting and reporting standards.

Independent Auditor's Report

Key audit matters	How the matter was addressed in our audit
<p>The changes in above mentioned assumptions can lead to significant changes in the assessment of the recoverable amounts.</p> <p>Accordingly, we consider this as a key audit matter due to the significant judgment and estimates involved in determining the recoverable amounts.</p> <p>Management concluded that no additional impairment is required on the Company's equity investment in FFL, as of 31 December 2021. Any Expected Credit Loss (ECL) in respect of the Company's financial guarantee and collateral support is insignificant.</p> <p>Refer to notes 14.3.3, 21 and 39 of the accompanying financial statements, for a discussion on the matter by management.</p>	
2. Allowance Expected Credit Loss (ECL) on Subsidy receivable from Government of Pakistan and Subordinated loan to Fauji Meat Limited (FML) – a subsidiary company	
<p>As of 31 December 2021, the Company has recognized gross amount of Rs. 3,161 million (2020: Rs. 3,161 million) as subsidy on DAP and Urea receivable from Government of Pakistan; with an allowance for ECL amounting to Rs. 1,211 million (2020: Rs. 429 million).</p> <p>Furthermore, sub-ordinated long term loan amounting to Rs. 6,199 million (2020: Rs. 1,065 million) is outstanding from FML as of 31 December 2021; with an allowance for ECL amounting to Rs. 2,968 million (2020: Rs. Nil).</p> <p>Management of the Company has assessed that credit risk of both of these financial instruments have significantly increased since their inception, owing to delay in settlement of subsidy by Government and deteriorating financial condition of FML resulting in write off of the Company's equity investment in FML and other receivables due from FML, respectively, and thus required them to estimate ECLs that result from all possible default events over the life of the financial instruments, under ECL model prescribed by IFRS 9 - "Financial Instruments". Management of the Company is required to estimate ECL by taking into account time value of money, reasonable and supportable information regarding past events, current conditions, forecast of future events and economic conditions, attached to its financial instruments, at each reporting date.</p> <p>Accordingly, management of the Company has assessed ECL on subsidy on DAP and Urea receivable from the Government of Pakistan, estimating the time value of money based on expected recovery of subsidy.</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> • Understood the Company's process for selection and application of methods to determine ECL on subsidy receivable from Government of Pakistan and subordinated loan to Fauji Meat Limited (FML) – a subsidiary company. • Assessed the reasonableness of the management's assumptions used to determine the time value of money for recovery of subsidy receivable and Loss Given Default (LGD) on loan to FML. • Assessed the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Checked the mathematical accuracy of the model by performing recalculations. • Assessed the adequacy of disclosures made in the financial statements in accordance with the requirements of the applicable accounting and reporting standards.

Key audit matters	How the matter was addressed in our audit
<p>Similarly, management of the Company estimated present value of future expected cash flows from FML considering fair value of plant and property of FML, third party obligations and expected timing of sale of FML.</p> <p>The changes in above mentioned assumptions can lead to significant changes in the assessment of ECL allowance. Accordingly, we consider this as a key audit matter due to the significant judgment involved in estimating ECL allowance.</p> <p>Refer to notes 15.1 and 22 of the accompanying financial statements, for a discussion on the matter by management.</p>	

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a)** proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b)** the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c)** investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d)** zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Ahsan Shahzad.



Chartered Accountants

Place: Islamabad

Date: 21 February 2022

UDIN: AR202110079zQMElat0y

Statement of Financial Position

As at December 31, 2021

	Note	2021 (Rupees '000)	2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	12,912,529	9,341,100
Advance against issue of shares		-	4,885,787
Capital reserve			
Share premium	5	1,632,729	228,350
Revenue reserve			
Accumulated profit / (loss)		5,885,488	(495,832)
		20,430,746	13,959,405
NON CURRENT LIABILITIES			
Long term loans	6	16,233,345	15,425,006
Deferred liabilities	7	9,462,291	14,530,380
		25,695,636	29,955,386
CURRENT LIABILITIES			
Trade and other payables	8	46,785,563	21,637,647
Advances from customers		5,764,548	2,204,000
Unpaid dividend		10,954	10,954
Unclaimed dividend		116,867	117,007
Provision for income tax		501,559	-
Accrued interest	9	224,197	445,326
Short term borrowings	10	10,987,861	15,822,065
Current portion of long term loans	6	4,691,661	6,816,662
		69,083,210	47,053,661
		115,209,592	90,968,452
CONTINGENCIES AND COMMITMENTS			
	11		

The annexed notes, from 1 to 40, form an integral part of these financial statements.

		2021	2020
	Note	(Rupees '000)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	12	10,574,734	11,252,052
Investment property	13	270,242	-
Long term investments	14	25,609,532	24,546,403
Long term loans	15	3,230,509	6,990,318
Long term advances		39,113	3,210
Long term deposits		78,643	78,643
		39,802,773	42,870,626
CURRENT ASSETS			
Stores and spares	16	1,794,030	1,835,211
Stock in trade	17	8,388,200	2,861,568
Trade debts	18	94,238	1,656,387
Advances	19	577,065	772,702
Trade deposits and short term prepayments	20	124,609	99,899
Interest accrued	21	756,119	473,503
Other receivables	22	4,613,235	5,170,133
Income tax refundable - net		-	1,744,650
Sales tax refundable - net	23	12,487,644	8,435,341
Short term investments	24	10,441,700	-
Cash and bank balances	25	36,129,979	25,048,432
		75,406,819	48,097,826
		115,209,592	90,968,452



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
Sales - net	26	110,452,174	83,234,360
Cost of sales	27	(88,300,535)	(70,655,385)
GROSS PROFIT		22,151,639	12,578,975
Selling and distribution expenses	28	(5,640,407)	(5,285,769)
Administrative expenses	29	(1,600,638)	(1,255,126)
		(7,241,045)	(6,540,895)
		14,910,594	6,038,080
Finance cost	30	(2,338,107)	(4,444,122)
Other expenses	31	(2,547,724)	(311,681)
Other income	32	9,110,971	5,183,896
		19,135,734	6,466,173
Unwinding cost / remeasurement gain on GIDC payable	7	(1,253,839)	2,740,855
Allowance for expected credit losses	33	(4,254,304)	(232,000)
Impairment of equity investment	14	(2,102,788)	(4,082,212)
PROFIT BEFORE TAXATION		11,524,803	4,892,816
Taxation	34	(5,133,842)	(2,700,379)
PROFIT FOR THE YEAR		6,390,961	2,192,437
Earnings per share - basic and diluted (Rupees)	35	4.96	2.12

The annexed notes, from 1 to 40, form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
PROFIT FOR THE YEAR		6,390,961	2,192,437
Other comprehensive (loss) / income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of post employment benefits obligation	8.4.5	(9,641)	47,220
TOTAL COMPREHENSIVE INCOME		6,381,320	2,239,657

The annexed notes, from 1 to 40, form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital	Advance against issue of shares	Capital reserve	Accumulated profit / (loss)	Total
	(Rupees ' 000)				
Balance as at January 01, 2020	9,341,100	-	228,350	(2,735,489)	6,833,961
Total comprehensive Income					
Profit for the year	-	-	-	2,192,437	2,192,437
Other comprehensive income	-	-	-	47,220	47,220
Total comprehensive income for the year	-	-	-	2,239,657	2,239,657
Advance against issue of shares	-	4,885,787	-	-	4,885,787
Balance as at December 31, 2020	9,341,100	4,885,787	228,350	(495,832)	13,959,405
Balance as at January 01, 2021	9,341,100	4,885,787	228,350	(495,832)	13,959,405
Total comprehensive income					
Profit for the year	-	-	-	6,390,961	6,390,961
Other comprehensive loss	-	-	-	(9,641)	(9,641)
Total comprehensive income for the year	-	-	-	6,381,320	6,381,320
Advance against issue of shares	-	114,213	-	-	114,213
Issue of share capital	3,571,429	(5,000,000)	1,428,571	-	-
Transaction costs	-	-	(24,192)	-	(24,192)
Balance as at December 31, 2021	12,912,529	-	1,632,729	5,885,488	20,430,746

The annexed notes, from 1 to 40, form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Cash Flows

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operating activities	36	29,447,055	31,479,124
Finance costs paid		(2,557,202)	(4,961,047)
Taxes paid		(3,641,394)	(910,756)
Payment to gratuity fund	8.4.5	(52,853)	(108,116)
Compensated absences paid	7.1	(134,302)	(67,463)
Payment to Workers' (Profit) Participation Fund	8.3	(761,665)	-
Net cash generated from operating activities		22,299,639	25,431,742
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures and advances		(343,573)	(741,517)
Proceed from sale of long term investments	14.2.2	5,256,007	384,253
Proceeds from sale of property, plant and equipment	12.3	30,328	131,552
Cash and cash equivalent acquired on amalgamation		25,883	-
Dividend received from related parties		4,117,935	3,075,710
Long term loan disbursed	15	(5,133,231)	(6,490,318)
Short term investments - net		(8,319,337)	9,212
Cash dividend on mutual funds		22,648	380
Profit received on bank balances, term deposits, subordinated loans and guarantee fee		1,286,232	590,608
Net cash used in investing activities		(3,057,108)	(3,040,120)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans - received		5,500,000	8,450,000
Long term loans - repaid		(6,816,661)	(4,566,666)
Advance against equity		90,021	4,885,787
Short term borrowings - net		(2,249,987)	(8,500,006)
Dividend paid		(140)	(1,633)
Net cash (used in) / generated from financing activities		(3,476,767)	267,482
Net increase in cash and cash equivalents		15,765,764	22,659,104
Cash and cash equivalents at the beginning of the year		13,676,354	(8,982,750)
Cash and cash equivalents at the end of the year	25.3	29,442,118	13,676,354

The annexed notes, from 1 to 40, form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the year ended December 31, 2021

1 STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 ("the Act") with effect from May 31, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at FFBL Tower, C1/C2, Sector B, Jinnah Boulevard, DHA Phase II, Islamabad, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000.

These financial statements are the separate financial statements of the Company in which investment in subsidiary companies, associates and joint venture is accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are presented separately.

Geographical location and addresses of business units including plants of the Company are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi	Manufacturing Plant
Pindi Bhattian	
Moza Thatta Raika and Moza Thatta Bahuman	Investment property

1.1 The Company's Gas Supply Agreement (GSA) with Sui Southern Gas Company Limited (SSGCL) expired on December 31, 2020. The Economic Coordination Committee (ECC) in its meeting dated February 03, 2021, as ratified by Federal Cabinet on February 09, 2021, approved allocation of indigenous natural gas for next five years on "as and when available basis" at existing gas prices till December 31, 2021. The Company's gas supply was resumed effective February 11, 2021 and a side letter was signed between FFBL and SSGCL to formalize arrangement regarding supply of gas and application of natural gas tariff till the signing of renewal of GSA. Government of Pakistan is in the process of finalizing uniform gas price across the fertilizer sector. Management remains confident that the formal addendum to GSA will be signed within due course.

1.2 The Board of Directors, in their meeting held on April 26, 2021, decided to amalgamate one of the Company's wholly owned subsidiary, FFBL Foods Limited with the Company. The scheme of amalgamation was prepared under the provisions of Section 284 of the Companies Act, 2017 and approved by the Board of Directors of the Company in their meeting held on July 29, 2021. The effective date of the completion of scheme was September 30, 2021, which was approved by the Securities and Exchange Commission of Pakistan.

Pursuant to above-mentioned scheme of arrangement, the entire business of FFBL Foods Limited including its assets, liabilities and rights and obligations vested into the Company while the shares of FFBL Foods Limited held by the Company were cancelled. The impact of the arrangement [increase / (decrease)] on the financial statements of the Company is as follows:

	(Rupees '000)
Investment property	270,242
Bank balances	4,089
Short term investment	21,794
Other	4,031
Total assets	300,156
Current Liabilities	(5,510)
Equity / Amalgamation reserve	294,646
Investment in FFBL Foods	(298,518)
Loss acquired on amalgamation	(3,872)

Notes to the Financial Statements

For the year ended December 31, 2021

As the above amalgamation represents an amalgamation of 100% owned subsidiary, the said transaction is outside the scope of IFRS 3 'Business Combinations' and therefore is accounted for using the pooling of interest method as of the date of amalgamation by incorporating the cumulative value of assets added on FFBL Foods as included in the consolidated financial statements of the Company. Accordingly, the assets and liabilities of FFBL Foods Limited have been amalgamated in the financial statements of the Company at their net carrying amount as on September 30, 2021. The difference in value of the net assets and cost of investment in FFBL Foods Limited recorded in the long term investments of the Company has been recognized in the statement of profit or loss as the impact of amalgamation is immaterial to the financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 gratuity and compensated absences which are carried at present value of defined benefit obligation net of fair value of any related plan asset.

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 Rupees has been rounded to the nearest thousand, unless otherwise stated.

2.4 Significant accounting estimates and judgements

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

Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

The Company based its assumptions and estimates on the parameters under which these financial statements were prepared.

Existing circumstances and assumptions about the future development may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.4.1 Staff retirement gratuity (note 8.4)

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

Notes to the Financial Statements

For the year ended December 31, 2021

2.4.2 Compensated absences (note 7.1)

Compensated absences is granted to all its permanent employees in accordance with the rules of the Company. Calculations in respect of unutilized privileged leaves accumulated as on April 30, 2021 require assumptions to be made of future outcomes, the principal ones being in respect of mortality rate, withdrawal rate, increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.3 Property, plant and equipment (note 12)

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

2.4.4 Capital spares (note 12)

The Company reviews the carrying amount of capital stores on an annual basis, and as appropriate, provision is made for obsolescence if there is any change in the usage pattern and physical form of related stores.

2.4.5 Provision for inventory obsolescence (notes 16 and 17)

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

2.4.6 Provision for expected credit losses of loans from Fauji Meat Limited (FML), subsidy receivable from Government of Pakistan and other receivables (notes 15 and 22)

The Company's ECL calculation on subordinated loan is outputs of probability weighted model (Probability of Default (PD) model), under the general approach, with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Discounting estimated future cashflow and losses to the reporting date using a rate that approximates the Effective Interest Rate (EIR) of the asset (Time value of money).
- Significant Increase in Credit Risk and classification within Stage 3 based on FML's financial position.
- Loss Given Default (LGD) takes into account externally assessed recoverable values of plant and property of FML (and their probability weightings), probable mode of recovery and reasonable period required for recovery.

The information about the ECLs on the Company's subordinated loan (and other balances due from FML) is disclosed in Note 38.2.

The Company's ECL calculation on subsidy receivable is outputs of probability weighted model (Multi-scenarios approach), under the general approach, with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Discounting estimated future cashflow and losses to the reporting date using a rate that approximates the Effective Interest Rate (EIR) of the asset (Time value of money). In the absence of EIR, interest free rate has been used in accordance with relevant accounting standard.
- Significant Increase in Credit Risk and classification within Stage 2 based on its overdue status minimized owing to exposure being toward sovereign entity.

Notes to the Financial Statements

For the year ended December 31, 2021

- Selection of forward-looking multiple scenarios and their probability weightings, to calculate the amount of ECL.

The information about the ECLs on the Company's subsidy receivable is disclosed in Note 38.2.

The measurement of impairment losses under IFRS 9 for financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the Company's calculation of ECL that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there is a significant increase in credit risk and allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment; and
- Selection of forward-looking multiple scenarios and their probability weightings, to calculate the amount of ECL.

It is the Company's policy to regularly review its basis of calculations in the context of actual loss experience and adjust when necessary.

2.4.7 Taxation (note 7 and 34)

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

The Company recognizes deferred tax assets, to the extent it is probable that taxable profits and tax liability, as applicable, will be available against which the deductible temporary differences and tax credits can be utilized, based on its assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies while also keeping in view the provisions of Income Tax Ordinance, 2001 related to adjustment/ carry forward of the underlying temporary differences and tax credits, in subsequent years.

2.4.8 Contingencies (note 11)

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

2.4.9 Impairment of non-financial assets

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

2.4.10 Impairment of long term equity investments and loans (note 14)

The carrying amount of the Company's long term equity investments are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

The information about impairment charge on the Company's long term equity investments is disclosed in note 14.

Judgements

In the process of applying Company's accounting policies, management has made the judgements, as mentioned below, which have most significant effects on the amounts recognized in the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2021

2.4.11 Disclosure related to IFRS 16 "Lease"

As discussed in note 3.5, the Securities and Exchange Commission of Pakistan (SECP) has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly the Company does not apply lease accounting to its' agreements with FFBL Power Company Limited (FPCL). It is, however, mandatory to disclose the financial effect of the exemption on each item in the financial statements that would have been reported in complying with the requirements of IFRS - 16. Accordingly, to estimate the impact, the Company has to determine the interest rate inherent in the arrangement, present value of lease obligation, the useful lives of the plants and the impact of any shortfall in the capacity made available to the Company, during the period, by FPCL.

2.4.12 Selection of accounting policy for GIDC (note 7)

In the absence of any Standard that specifically applies to recognition, measurement and disclosure requirements for such a liability, the Company has used the guidance of paragraphs 10-11 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying an accounting policy for the liability for recognition, measurement, presentation and disclosure, that would result in information that is relevant, to the economic decision-making needs of users of financial statements, and reliable; which align with accounting policy applied to a financial liability.

2.4.13 Sales tax refundable (note 23)

Management has classified the whole of the amount of Sales tax refundable as current asset based on the assessment that either the amount will be refunded in the next year or related settlement of amounts due to Government, within next twelve months will include refund of Sales tax. Only significant impact of time value of money is recognized in the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently for all periods presented, unless otherwise stated.

3.1 Employees' benefits

The Company has established the following employees' benefit schemes for its employees:

Provident fund - Defined contribution scheme

The Company operates a defined contributory provident fund for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund both by the Company and employees at the rate of 10% of basic pay. The employees of the Company have an option to deposit extra contribution, of 5% or 10% of basic pay, to the fund. The Company's contribution is charged to income for the year.

Gratuity fund - Defined benefit scheme

The Company operates a funded gratuity scheme for all employees who complete the qualifying period of service and age. The Fund is administered by trustees. Contributions to the fund are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 8.4. Amounts determined by the actuary as charge for the year are included in the income for the year. Expected gratuity cost for the next year is estimated to Rs. 60,599 thousand.

Remeasurement adjustments, including actuarial gains and losses arising from changes in demographic and financial assumptions and return on plan assets excluding amounts included in net interest on the net defined benefit liability, are charged or credited in other comprehensive income in the year in which they arise. Remeasurements are not reclassified to the statement of profit or loss in subsequent periods.

Notes to the Financial Statements

For the year ended December 31, 2021

Compensated absences

The Company grants compensated absences to all its permanent employees in accordance with the rules of the Company. Under this unfunded scheme, regular employees are entitled to maximum 30 days privilege leave for each completed year of service. Unutilized privileged leaves accumulated as on April 30, 2021 are encashable at the time of separation from the service on the basis of last drawn gross salary. Unutilized privilege leaves available for a year (effective from May, 2021) lapse by end of next March and are encashable only upon separation of employee in the same year.

Provisions in respect of unutilized privileged leaves are made in accordance with the actuarial recommendation. Actuarial valuation is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognized in income in the year in which they arise.

3.2 Taxation

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

Current

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

Deferred

Deferred tax is calculated using balance sheet method in respect of all 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 for all deductible temporary differences 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 realized.

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.

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

Sales tax refundable

Sales tax refundable primarily includes input sales tax related to lower rated taxable supplies for current and prior years for which refunds have been lodged with the Federal Board of Revenue. The Company has developed the accounting policy for initial recognition and subsequent measurement by making an analogy with a monetary asset.

3.3 Property, plant and equipment

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

Notes to the Financial Statements

For the year ended December 31, 2021

Spare parts are classified as capital spares rather than stores and spares when they meet the definition of property, plant and equipment.

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

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

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

Depreciation is calculated on the straight line method and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 12. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.4 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and impairment.

Maintenance and normal repairs are charged to the income and expenditure statement as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that the respective future economic benefits will flow to the Company.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in income and expenditure statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.5 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

The Company has determined that any long term lease of land under the local law, represents ownership interest in underlying asset and is accounted for under IAS 16 "Property, Plant and Equipment".

Notes to the Financial Statements

For the year ended December 31, 2021

Through S.R.O No. 986(I)/2019, dated September 02, 2019, the SECP, however, has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly the Company does not apply lease accounting to its' agreements with FFBL Power Company Limited (FPCL). It is, however, mandatory to disclose the financial effect of the exemption on each item in the financial statements that would have been reported in complying with the requirements of IFRS - 16.

In 2017, FFBL Power Company Limited (FPCL), a subsidiary company, achieved Commercial Operation Date (COD) on May 19, 2017. Under Power Purchase Agreement (PPA), dated April 15, 2016, FPCL has agreed to provide, on an exclusive basis, 48,000 kWh electricity, with an 85% dependable capacity, for 30 years to the Company, from its two Steam Turbine Generators (STG-1 and STG-2, with STG-3 remaining on standby) at 60Hz. As a consideration, the Company is liable to pay Capacity Price and Energy Price.

Under a separate Steam Purchase Agreement (SPA), dated April 15, 2016, FPCL has also agreed to provide, on an exclusive basis, 211.30 MTPH steam for 30 years, from two of its Steam Turbines. As a consideration, the Company is liable to pay Capacity Price and Steam Price. The Company has assessed that the exemption available to power purchase agreement under the above mentioned SRO is also applicable to its steam purchase agreement as the term "Power" includes steam.

PPA and SPA convey rights to the Company to use FPCL's specified Steam Turbine Generators and Steam Turbines, respectively. Under the waiver granted by SECP, however, the Company has elected to account for the transactions under PPA and SPA on executory contract basis, in accordance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

Under IFRS - 16, the lease payments required to be made by lessee for the right to use the asset is to be accounted as right of use assets and lease obligation. Had the standard been applied, following adjustments to statement of profit or loss and statement of financial position would have been made:

	2021 (Rupees '000)
Decrease in cost of sales	5,381,811
Increase in depreciation	(491,486)
Increase in finance cost	(4,870,053)
Net increase in cost	20,272
Decrease in profit for the year	20,272
Increase in right to use of assets	12,450,984
Increase in lease obligation	12,274,204

During the previous year, the Company and FPCL have revised rates applicable to operation and maintenance component of energy price and capacity price w.e.f. January 01, 2020. Accordingly, above disclosures reflect these changes.

Lease Liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Notes to the Financial Statements

For the year ended December 31, 2021

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and leases of low-value assets

The Company applies the short term lease recognition exemption to its short term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3.6 Borrowing costs

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

3.7 Investments

3.7.1 Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

3.7.2 Investments in associates

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies.

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

Upon disposal of investment, any difference between the carrying amount of the investment in associate and proceeds from disposal is recognized in profit or loss.

Notes to the Financial Statements

For the year ended December 31, 2021

3.7.3 Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

3.8 Impairment of non-financial assets

Non-financial assets

The carrying amounts of non-financial assets other than stores and spares, stock in trade and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

3.9 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores spares on regular basis and provision is made for obsolescence.

Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.10 Stock in trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the reporting date less impairment, if any.

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 raw materials and related manufacturing expenses. |

Notes to the Financial Statements

For the year ended December 31, 2021

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.11 Trade and other payables

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

3.12 Contract Balances

Contract assets and Contract liabilities

A contract asset is the right to consideration in exchange for goods transferred to the customer, when the right is conditioned on something other than the passage of time. Contract asset are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in note 3.13.

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related good. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods to the customer).

Trade debt

A trade debt is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3.13.

3.13 Financial instruments

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3.19 "Revenue recognition".

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Notes to the Financial Statements

For the year ended December 31, 2021

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade debts, deposits, loan to subsidiaries, interest accrued, loan and advances to employees, short term investments and other receivables.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not carry debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any investment in equity instrument carried at fair value at OCI.

Notes to the Financial Statements

For the year ended December 31, 2021

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company's financial asset at fair value through profit or loss consists of its investment in mutual funds.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(d) Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the Financial Statements

For the year ended December 31, 2021

For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company uses probability of default method to measure expected credit losses (ECL). The probability of default (PD) rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability - weighted outcome, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions. Whereas, the loss given default is based upon external credit rating of banks who have issued the letter of guarantees to the customers.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At each reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on investment at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due, excluding subsidy. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in note 38.2.

Financial liability

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, long term financing, accrued mark-up, unpaid and unclaimed dividend payable and short term borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Notes to the Financial Statements

For the year ended December 31, 2021

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, 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.

3.14 Cash and cash equivalents

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

3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.6.

3.16 Provisions

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

3.17 Dividends

Dividends are recognized as a liability in the period in which they declared.

3.18 Foreign currency

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 reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

Notes to the Financial Statements

For the year ended December 31, 2021

3.19 Revenue recognition

The entity is in the business of manufacturing of fertilizer products. Revenue from contract with customer is recognized when control of the goods are transferred to the customer via FFC, a related party (Note 26) at an amount that reflects the consideration to which the entity expects to be entitled for those goods. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer, generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer. The Company's credit sales normally carry credit term of 30 days to 180 days and is secured against bank guarantee. The Company's remaining sales are against advance payment by its customers.

In determining the transaction price for the sale of fertilizer, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer, if any.

(i) Post-sales incentives

These post-sales incentives are based on monthly volume of purchases made by individual customers and is settled in cash, within 30 days of the month to which it relates to. Accordingly, no estimation uncertainty arises and the amount of payable is set off against the related trade debts.

(ii) Financing component

The Company allows credit period of 30 days to 180 days to its certain customers, for the sale of fertilizer, against a credit charge determined based upon volume of sales and period of credit. There is a financing component for these contracts considering the prevailing interest rate in the market.

Scrap sales and miscellaneous receipts are recognized when they are earned.

3.20 Basis of allocation of common expenses

Fauji Fertilizer Company Limited proportionately allocates common selling and distribution expenses, being the costs incurred and for services rendered on behalf of the Company, under an inter-company services agreement.

3.21 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.

3.22 Finance income and finance costs

Finance income comprises interest income on funds invested and loans, dividend income, gain on disposal of financial assets held at amortized cost and changes in the fair value of investments. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Gain on sale of investments is recognized on the completion of sales transaction.

Finance costs comprise interest expense on borrowings 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.

Notes to the Financial Statements

For the year ended December 31, 2021

3.23 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Company:

Standard and IFRIC		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2023
IAS 1 and IFRS Practice Statement 2	<p>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. 	January 01, 2023
IAS 8	<p>Definition of Accounting Estimates - Amendments to IAS 8</p> <p>- The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.</p>	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

Notes to the Financial Statements

For the year ended December 31, 2021

The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.

In addition to the above new amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities – The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
IFRS 16	Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
IAS 41	Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Company expects that the adoption of the above improvements to the standards will have no material effect on the Company's financial statements, in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts
	January 01, 2004
	January 01, 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

3.24 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments as described below:

IFRS 7 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees '000)	
4	SHARE CAPITAL		
4.1	AUTHORIZED SHARE CAPITAL		
	1,500,000,000 (2020: 1,500,000,000) Ordinary shares of Rs.10 each	15,000,000	15,000,000
4.2	ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
	1,291,252,857 (2020: 934,110,000) Ordinary shares of Rs. 10 each issued for cash	12,912,529	9,341,100
4.3	<p>Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 644,018,629 and 236,161,393 (2020: 465,891,896 and 170,842,386) Ordinary shares, respectively, of the Company at the year end.</p> <p>Pursuant to an agreement dated October 16, 2016, FFCL has issued to FF, irrevocable proxies to allow FF to vote on behalf of FFCL in all general meetings. Further, FFCL has also given an undertaking that the representative of FF to be elected or co-opted or appointed on the Board of the Company, shall be nominated by FF.</p> <p>Pursuant to the decision of the Board of Directors in their meeting held on October 06, 2020, the Company commenced the process for a right issue of shares in the aggregate amount of Rs. 4,999,999,998 divided into 357,142,857 Ordinary shares (i.e. 38.2335% of previously existing Ordinary shares of Rs. 10 per share) at Rs. 14 per share. As at December 31, 2020, the Company had received an amount of Rs. 4,885,787,494, whilst the balance amount of Rs. 114,212,504 remained unsubscribed (i.e. amounting to 8,158,036 shares), which have been allotted to the underwriters in respective proportion, pursuant to the Board of Directors decision in their meeting held on January 04, 2021. During the year, the Company has issued the respective shares upon fulfilling all regulatory requirements.</p>		

		2021	2020
	Note	(Rupees '000)	
5	CAPITAL RESERVE		
	Share premium against issuance of shares in 1996	228,350	228,350
	Share premium against issuance of shares in 2021		
	Gross premium	1,428,571	-
	Utilization against transaction cost of issuance	(24,192)	-
		1,404,379	-
		1,632,729	228,350
5.1	This represents share premium of Rs. 5 per share and received on the public issue of 45,670 thousand Ordinary shares in 1996. This can only be utilized for the purposes mentioned in section 81 of the Companies Act, 2017.		
5.2	During the year 2021, upon allotment of 357,143 thousand right shares an amount of Rs. 1,428,571 thousand has been transferred to capital reserve at a premium of Rs. 4 per share. This can only be utilized for the purposes mentioned in section 81 of the Companies Act, 2017.		
5.3	During the year, the Company has utilized reserve of Rs. 24,192 thousand against transaction cost of shares issued during the year (refer note 4.3), in accordance with section 81 of the Companies Act, 2017.		

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
6 LONG TERM LOANS			
LOANS FROM BANKING COMPANIES - SECURED			
Related party			
Askari Bank Limited	6.1	250,000	416,667
Others			
Habib Bank Limited		3,225,006	4,116,667
United Bank Limited		1,500,000	666,667
National Bank of Pakistan		666,667	1,333,334
MCB Bank Limited		7,500,000	10,250,000
Allied Bank Limited		7,783,333	5,125,000
Bank Al-Habib Limited		-	333,333
		20,675,006	21,825,001
Accrued interest on Long term loans	9	185,080	175,195
		21,110,086	22,416,863
Less: Current portion shown under current liabilities		(4,691,661)	(6,816,662)
Less: Accrued interest on Long term loans	9	(185,080)	(175,195)
		16,233,345	15,425,006

6.1 The Company has obtained a secured long term facility from Askari Bank Limited, a related party, for the purpose of Balance Sheet reprofiling.

6.2 Terms and conditions of these loans are as follows:

Lenders	Markup Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Askari Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	September, 2020	March, 2023
Habib Bank Limited	0.50	08 Quarterly	January, 2021*	October, 2022
	3 Month KIBOR + 0.60	12 Quarterly	January, 2023**	October, 2025
United Bank Limited	3 Month KIBOR + 0.58	12 Quarterly	October 2023	September 2026
National Bank of Pakistan	3 Month KIBOR + 0.50	12 Quarterly	March, 2020	December, 2022
MCB Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	July, 2020**	April, 2023
	3 Month KIBOR + 0.50	12 Quarterly	June, 2021**	March, 2024
	3 Month KIBOR + 0.50	16 Quarterly	January, 2024**	January, 2028

* This represents salary finance under SBP refinance scheme to support employment and prevent layoff of workers.

Notes to the Financial Statements

For the year ended December 31, 2021

Lenders	Markup Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Allied Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	June, 2021**	December, 2023
	3 Month KIBOR + 0.50	12 Quarterly	September 2020	June, 2023
	6 Month KIBOR + 0.50	6 Half Yearly	December 2022**	June, 2025
	3 Month KIBOR + 0.50	12 Quarterly	April 2023**	April 2026
	3 Month KIBOR + 0.50	12 Quarterly	September 2023**	September 2026

These are secured against ranking charges over fixed and current assets of the Company and carry mark-up at rates ranging from 8.21% to 8.62% per annum (2020: 7.75% to 8.78% per annum).

** During the year, the Company negotiated better markup rates on these long term loans. The related impact of changes in applicable spreads is not significant to the financial statements and accordingly has not been accounted in these financial statements.

	Note	2021 (Rupees '000)	2020
7 DEFERRED LIABILITIES			
Compensated leave absences	7.1	493,240	477,186
Deferred tax	7.2	1,150,299	1,904,820
Payable against GIDC	7.3	7,818,752	12,148,374
		9,462,291	14,530,380
7.1 Compensated leave absences			
The movement in the present value of compensated leave absences is as follows:			
Balance at beginning of the year		477,186	556,737
Expense / (income) for the year (including past service cost)		150,356	(12,088)
Benefits paid during the year		(134,302)	(67,463)
		493,240	477,186
The main assumptions used for actuarial valuation are as follows:			
Discount rate - per annum		10.25%	11.25%
Expected rate of increase in salaries - per annum		12.25%	10.25%
Mortality table		SLIC (2001-2005)	SLIC (2001-2005)
Withdrawal factor		Low	Low

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
7.2	The balance of deferred tax is in respect of the following major (deductible)/ taxable temporary differences:		
	Accelerated tax depreciation	1,487,686	1,500,102
	Provision for inventory obsolescence	(76,565)	(58,805)
	Provision against doubtful other receivables	(370,948)	(124,396)
	Provision against allowance	(321,110)	(206,929)
	Remeasurement gain on GIDC	431,236	794,848
	7.2.1	1,150,299	1,904,820

As a matter of prudence, the Company has not recognized deferred tax asset against tax credit available for minimum tax u/s 113 of Income Tax Ordinance 2001, amounting to Rs. Nil (2020: Rs. 2,640,639 thousand) and impairment of Rs. 7,705,000 thousand (2020: Rs. 5,602,212 thousand). The impairment charge is adjustable against available capital gain upon disposal of similar equity investments and such losses can be carried forward for further six years.

	Note	2021 (Rupees '000)	2020
7.2.1	The movement of deferred tax during the current year is as follows:		
	Balance at beginning of the year	1,904,820	1,021,914
	(Income) / charge for the year	(754,521)	882,906
		1,150,299	1,904,820
7.3	Payable against GIDC		
	Opening balance	19,592,989	-
	Gas Infrastructure Development Cess (transfer from trade and other payables)	7.3.1 -	22,333,844
	Remeasurement gain on GIDC	-	(3,300,548)
	Unwinding cost	1,253,839	559,693
		1,253,839	(2,740,855)
		20,846,828	19,592,989
	Current portion of GIDC	8 (13,028,076)	(7,444,615)
		7,818,752	12,148,374

7.3.1 This represents amount payable on account of Gas Infrastructure Development Cess (GIDC) under Gas Infrastructure Development Cess Act, 2015 (GIDC Act) up to July 31, 2020. The Company along with other industrial gas consumers had previously challenged the GIDC Act on constitutional grounds. During the prior year, the Honorable Supreme Court of Pakistan (SCP) in its judgement dated August 13, 2020 declared GIDC Act as valid legislation. A review petition for factual determination had been filed before the SCP, which upheld the original judgement. During the proceedings, the Additional Attorney General of Pakistan has stated that the Government is "agreeable" to recover the obligation in 48 equal monthly installments instead of 24 installments, but the government may also be granted one years-time instead of 6 month in meeting its obligations to commence work on the laying of the North-South pipeline project. Accordingly, the Company recognized this liability at its level 3 fair value of Rs. 19,592,989 thousand, in accordance with accounting policy disclosed in note 3.13 applied by analogy; resulting in a remeasurement gain of Rs. 3,300,548 thousand, being the difference between previously recognized provision and fair value of restructured liability calculated by applying discount rate ranging between 7.19% to 8.93%, recognized in statement of profit or loss. The fair value of liability approximates to Rs. 20,327,438 thousand (2020: approximates the carrying value) as of reporting date.

Notes to the Financial Statements

For the year ended December 31, 2021

The Company had previously obtained stay from the Honorable Sindh High Court (SHC) against payment of GIDC, on September 22, 2020. Management has determined, based on advice of the legal advisor, that this stay remains valid till its disposal by Sindh High Court; which is pending adjudication. Accordingly, the Company has not recognized any late payment surcharge in respect of non-payment of GIDC.

	Note	2021 (Rupees '000)	2020
8	TRADE AND OTHER PAYABLES		
Creditors	8.1	26,686,510	9,425,016
Payable against GIDC	7.3	13,028,076	7,444,615
Accrued liabilities	8.2	5,170,574	3,287,426
Workers' (Profit) Participation Fund	8.3	130,093	259,631
Payable to Gratuity Fund	8.4	197,715	188,615
Payable to Provident Fund		370	56
Workers' Welfare Fund		1,048,768	601,799
Security deposits	8.5	18,500	13,419
Other payables		504,957	417,070
		46,785,563	21,637,647

8.1 Creditors include payables to related parties amounting to Rs. 25,535,207 thousand (2020: Rs. 7,076,278 thousand) against purchase of raw material, steam and power. The Company purchases raw material for use in production of fertilizer from PMP at discounted price, with a credit limit of 75 days.

8.2 This includes a provision against constructive obligation amounting to Rs. 287,500 thousand (2020: Rs. Nil).

	Note	2021 (Rupees '000)	2020
8.3	Workers' (Profit) Participation Fund		
Balance at beginning of the year		259,631	-
Interest on WPPF	30	2,034	-
Provision for the year	31	630,093	259,631
		891,758	259,631
Payment made during the year		(761,665)	-
		130,093	259,631

8.4 Gratuity Fund

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

		2021 (Rupees '000)	2020
8.4.1	The amount recognized in the statement of financial position is as follow:		
	Present value of defined benefit obligation	735,783	860,194
	Fair value of plan assets	(538,068)	(671,579)
	Deficit	197,715	188,615

Notes to the Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees '000)	
8.4.2 The movement in the present value of defined benefit obligation is as follows:		
Defined benefit obligation at beginning of the year	860,194	895,981
Current service cost	42,698	53,288
Past service cost	545	-
Interest cost	69,989	86,957
Curtailment gain	-	(3,386)
Benefits paid during the year	(207,323)	(75,319)
Actuarial gain	(30,320)	(97,327)
Present value of defined benefit obligation at end of the year	735,783	860,194
8.4.3 The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	671,579	617,568
Interest income	60,920	71,321
Contributions	52,853	108,116
Benefits paid during the year	(207,323)	(75,319)
Return on plan assets excluding those included in interest income	(39,961)	(50,107)
Fair value of plan assets at end of the year	538,068	671,579
8.4.4 Plan assets comprise of:		
Investment in listed securities	108,090	126,252
Investment in equity securities	25,740	-
Investment in treasury bills	4,952	85,214
Investment in Pakistan investment bonds	308,431	347,448
Cash and bank balances	90,855	112,665
	538,068	671,579
Actual return on plan assets	20,959	21,214
Contributions expected to be paid to the plan during the next financial year	60,599	47,346
8.4.5 Movement in liability recognized in the statement of financial position:		
Opening liability	188,615	278,413
Expense for the year	52,312	65,538
Other comprehensive loss / (income)	9,641	(47,220)
Contributions	(52,853)	(108,116)
	197,715	188,615
8.4.6 Amount recognized in the profit or loss is as follows:		
Current service cost	42,698	53,288
Past service cost	545	-
Net interest	9,069	15,636
Curtailment gain	-	(3,386)
	52,312	65,538

Notes to the Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees '000)	
8.4.7 The expense is recognized in the following line items in the profit or loss:		
Cost of sales	34,183	49,063
Administrative expenses	18,068	16,361
Selling and distribution expenses	61	114
	52,312	65,538

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

	2021	2020	2019	2018	2017
	(Rupees '000)				
Present value of defined benefit obligation	735,783	860,194	895,981	859,021	800,650
Fair value of plan assets	(538,068)	(671,579)	(617,568)	(776,414)	(723,161)
Deficit	197,715	188,615	278,413	82,607	77,489
Experience adjustments					
- Remeasurement gain on obligation	30,320	97,327	88,592	2,326	10,959
- Remeasurement (loss) / gain on plan asset	(39,961)	(50,107)	(297,232)	8,543	(61,239)

8.4.9 Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2021 are as follows:

	2021	2020
Discount rate	11.75%	10.25%
Expected rate of salary growth	11.50%	10.25%
Mortality rate	SLIC (2001-2005)	SLIC (2001-2005)
Withdrawal factor	Moderate	Low
Average duration of defined benefit obligation	9.76 years	10.31 years

8.4.10 Sensitivity analysis

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

	Defined benefit obligation	
	1 percent increase	1 percent decrease
8.4.11 Effect in millions of Rupees		
Discount rate	(7)	8
Rate of salary growth	8	(7)

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

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2021 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Notes to the Financial Statements

For the year ended December 31, 2021

- 8.5** The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business.

	Note	2021 (Rupees '000)	2020
9	ACCRUED INTEREST		
	Long term loans	185,080	175,195
	Short term borrowings - demand finance	1,912	50,891
	Short term borrowings - running finance	37,205	219,240
		224,197	445,326
10	SHORT TERM BORROWINGS		
	From banking companies and financial institutions - secured:		
	Demand Finance	10.1 & 10.2 2,200,000	4,449,987
	Running Finance	10.1 8,787,861	11,372,078
		10,987,861	15,822,065
		9 39,117	270,131
		11,026,978	16,092,196
	Less: Accrued Interest on Short term borrowings	9 (39,117)	(270,131)
		10,987,861	15,822,065

- 10.1** The Company has arranged short term facilities from various banks on a mark-up basis with limits aggregating to Rs. 20,120,000 thousand (2020: Rs. 17,870,000 thousand). These facilities carry mark-up ranging from 7.70% to 10.62% per annum (2020: 7.45% to 8.80% per annum) and are secured by a hypothecation charge on fixed and current assets of the Company.

- 10.2** This represents working capital borrowing obtained from Bank Islami, Dubai Islamic Bank Limited, United Bank Limited and Habib Metropolitan Bank amounting to Rs. 1,500 million, Rs. 700 million, Rs. Nil and Rs. Nil (2020: Rs. 2,000 million, Rs. 700 million, Rs. 750 million and Rs. 1,000 million).

		2021 (Rupees '000)	2020
11	CONTINGENCIES AND COMMITMENTS		
11.1	Contingencies		
11.1.1	Guarantees issued by banks on behalf of the Company	73,200	89,706
11.1.2	The Company has also provided financial guarantees, obtained from commercial banks, in the name of Excise and Taxation Department, Government of Sindh, amounting to Rs. 2,774 million (December 31, 2020: Rs. 2,275 million), representing unpaid levy due under the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (Sindh Cess Act); deposited pursuant to instructions of the Honorable Sindh High Court (SHC) under a petition filed by the Company (along with various other importers of goods) challenging the constitutionality of the power exercised by the provincial legislature to levy the Cess. The Company has also deposited the 50% levy, in cash, on monthly basis since June 2011. During the period, on June 04, 2021, SHC has upheld the Sindh Cess Act as valid legislation, retrospectively with effect from July, 01, 1994. On the advice of its legal counsel, the Company filed an appeal against the decision, with the Honorable Supreme Court of Pakistan (SCP) and obtained stay order from the SCP against the decision, on September 01, 2021.		
	As a matter of prudence, the Company is recognizing the provision at the time of the activity that triggers the payment of the levy in accordance with the Sindh Cess Act; amounting to Rs. 2,774 million as of December 31, 2021 (December 31, 2020: Rs. 2,275 million). During the period, the Company has recognized the levy amounting to Rs. 801 million (December 31, 2020: Rs. 437 million) along with payment of Rs. 301 million (December 31, 2020: Rs. 219 million).		

Notes to the Financial Statements

For the year ended December 31, 2021

11.1.3 During the period, Federal Board of Revenue has issued orders for Tax Years 2015 to 2020, creating accumulated demand of Rs. 13.49 billion, by disallowing various expenses with consequential tax impact. The Company has filed appeals with Commissioner Inland Revenue (Appeals) in respect of Tax Years 2015 to 2020 and also obtained stay order against recovery proceedings. Management of the Company is confident of eventual favorable outcome in these cases. Moreover, adequate provision, in accordance with income tax law has been recognized in the financial statements.

11.1.4 The Company was liable to repay loans originally obtained from Export Credit Agencies (ECA), amounting to Rs. 9,723,015 thousand to the Government of Pakistan (GoP), in 15 annual equal installments, with a 1 year grace period, at zero percent, effective November 30, 2001. As per the restructuring agreement, the final installment was paid in June 2017.

These loans from ECA, which were assumed by the GoP, were initially secured with a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions. The guarantee was secured by a first equitable mortgage created on all immovable properties of the Company, and by way of hypothecation of movable properties of the Company. The charge ranked pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Company to obtain an indemnity from the 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, the GoP had conveyed its agreement by assuming the ECA loan liabilities by absolving related banks and financial institutions of their liabilities, for which they earlier issued guarantees to the ECA. As a result, three ECAs have released the guarantee of HBL and have returned the original documents.

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Company, has not been vacated up to December 31, 2021. The Company is making efforts in getting this guarantee released.

		2021	2020
		(Rupees '000)	
11.2	Commitments		
	i) Capital expenditures - contracted	164,044	227,111
	ii) Letters of credit for purchase of raw materials and stores and spares	1,128,973	797,643

For further commitments refer note 39

Notes to the Financial Statements

For the year ended December 31, 2021

12 PROPERTY, PLANT AND EQUIPMENT

	PROPERTY, PLANT AND EQUIPMENT													Total
	Leasehold land	Freehold land	Building on freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work-in-progress	Capital spares (Note 40.6)	
(Rupees, 000)														
COST														
Balance as at January 01, 2020	200,095	120,000	1,047,421	2,640,917	27,349,283	122,112	488,964	812,791	382,290	2,406	419,022	187,151	1,013,894	34,786,346
Additions during the year	-	-	-	30,951	47,911	3,109	73,986	20,398	25,263	-	66,984	442,713	45,377	756,692
Disposals	-	-	-	-	(336,354)	-	(169,263)	-	(1,207)	-	-	-	-	(506,824)
Transfers	-	-	-	14,029	307,594	-	108	(2,845)	5,265	-	4,039	(328,190)	-	-
Balance as December 31, 2020	200,095	120,000	1,047,421	2,685,897	27,368,434	125,221	393,795	830,344	411,611	2,406	490,045	301,674	1,059,271	35,036,214
Balance as at January 01, 2021	200,095	120,000	1,047,421	2,685,897	27,368,434	125,221	393,795	830,344	411,611	2,406	490,045	301,674	1,059,271	35,036,214
Additions during the year *	-	-	-	-	82,845	-	106,751	6,348	21,571	-	33,397	37,362	19,396	307,670
Disposals	-	-	-	-	-	(988)	(101,372)	-	-	-	-	-	-	(102,360)
Transfer upon amalgamation of subsidiary	-	-	500	-	-	-	-	398	-	-	-	-	-	898
Transfers	-	-	-	(610)	27,506	-	-	13,443	(123)	-	147,274	(158,723)	(28,767)	-
Balance as at December 31, 2021	200,095	120,000	1,047,921	2,685,287	27,478,785	124,233	399,174	850,533	433,059	2,406	670,716	180,313	1,049,900	35,242,422
DEPRECIATION														
Balance as at January 01, 2020	95,375	-	104,298	1,033,538	20,656,593	46,258	296,330	341,769	349,078	2,280	419,022	-	-	23,344,541
Charge for the year	3,209	-	31,542	79,351	566,323	11,853	89,206	114,530	18,404	81	11,837	-	-	926,336
Disposals	-	-	-	-	(335,817)	-	(149,691)	-	(1,207)	-	-	-	-	(486,715)
Balance as December 31, 2020	98,584	-	135,840	1,112,889	20,887,099	58,111	235,845	456,299	366,275	2,361	430,859	-	-	23,784,162
Balance as at January 01, 2021	98,584	-	135,840	1,112,889	20,887,099	58,111	235,845	456,299	366,275	2,361	430,859	-	-	23,784,162
Charge for the year**	3,209	-	31,545	80,573	578,130	12,090	81,910	115,543	24,085	41	36,930	-	-	964,056
Disposals	-	-	-	-	-	(938)	(79,659)	-	-	-	-	-	-	(80,597)
Transfer upon amalgamation of subsidiary	-	-	37	-	-	-	-	30	-	-	-	-	-	67
Balance as at December 31, 2021	101,793	-	167,422	1,193,462	21,465,229	69,263	238,096	571,872	390,360	2,402	467,789	-	-	24,667,688
Written down value - 2020	101,511	120,000	911,581	1,573,008	6,481,335	67,110	157,950	374,045	45,336	45	59,186	301,674	1,059,271	11,252,052
Written down value - 2021	98,302	120,000	880,499	1,491,825	6,013,556	54,970	161,078	278,661	42,699	4	202,927	180,313	1,049,900	10,574,734
Rate of depreciation	2% to 4%	-	3%	3%	5%	10%	20% to 40%	15%	33% to 50%	30%	17% to 50%	-	-	-

* Additions during the year includes borrowing cost of Rs. Nil (2020: Rs. 22,225 thousand) in respect of qualifying plant and machinery at the capitalization rate of Nil (2020: 13.44%).

** As at reporting date, plant and machinery having cost of Rs. 15,787,836 thousand (2020: Rs. 16,123,483 thousand) have been fully depreciated but are still in use.

Notes to the Financial Statements

For the year ended December 31, 2021

		Note	2021 (Rupees '000)	2020		
12.1	Capital work-in-progress					
	This is made up as follows:					
	Plant and machinery		87,234	57,048		
	Catalyst		84,681	231,955		
	Others		8,398	12,671		
			180,313	301,674		
12.2	Depreciation charge has been allocated as follows:					
	Cost of sales	27	820,337	776,940		
	Administrative expenses	29	143,719	149,396		
			964,056	926,336		
12.3	Details of property, plant and equipment sold:					
	Sold to	Cost	Book value	Sale proceeds	Gain / (loss)	
Vehicles - as per Company policy to employees						
	Toyota Corolla GLI	Syed Irfan Shah	1,994	565	785	220
	Toyota Corolla XLI	Omar Kamran	1,885	672	858	186
	Toyota Corolla GLI	Khurram Tariq	2,094	611	678	67
	Toyota Corolla XLI	Abrar Shafiq	1,942	765	993	228
	Toyota Corolla GLI	Ibrahim Sheikh	2,094	824	1,071	247
	Suzuki Cultus	Zaheer Ahmed	1,409	555	653	98
	Toyota Corolla XLI	Abubaker Khalid	1,977	700	738	38
	Toyota Corolla GLI	Ghulam Mustafa	2,155	930	1,105	175
	Toyota Corolla GLI	Omer Farooq	2,259	1,192	1,342	150
	Suzuki Cultus	Obaid Zia	1,461	670	484	(186)
	Suzuki Cultus	Ammar Saeed	1,480	802	767	(35)
	Suzuki Cultus	Imran Kazi	1,410	812	402	(410)
	Suzuki Cultus	Atiq Ur Rehman	1,410	825	402	(423)
	Suzuki Cultus	Ghulam Sarwar	1,410	847	402	(445)
	Toyota Corolla XLI	Daniyal Ahuja	2,544	1,841	1,932	91
	Toyota Corolla XLI	Muhammad Saeed Iqbal	2,590	1,540	1,689	149
	Toyota Corolla XLI	Yaqoob Khan	2,564	1,923	1,998	75
	Suzuki Cultus	Syed Zafar Tahir	1,879	1,409	1,468	59
Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000			67,803	4,280	12,561	8,281
2021			102,360	21,763	30,328	8,565
2020			506,824	20,109	131,552	111,443

Notes to the Financial Statements

For the year ended December 31, 2021

12.4 Particulars of immovable assets of the Company are as follows:

Location	Address	Covered area (acre)
Islamabad	C1/C2, Sector B, Jinnah Boulevard DHA Phase II	2
Karachi	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	250
Karachi	Tank Farm Area, Port Qasim	8
Karachi	Near Rangers Check Post, Opposite Naval Marine Base, National Highway.	202.2

	Note	2021 (Rupees '000)	2020
13 INVESTMENT PROPERTY			
Investment property - at cost			
Carrying amount as at January 01, 2021		-	-
Transfer upon amalgamation of FFBL Foods Limited	1.2	270,242	-
Carrying amount as at December 31, 2021		270,242	-

13.1 This represents freehold land located at Pindi Bhattian owned by the Company. This land is not occupied by the Company and is held for capital appreciation and earning rental income. The rental income in respect of this property amounting to Rs. 1,635 thousand has been recognized in profit or loss and included in other income. The Company carries this investment property under cost model. No significant operating expenses were incurred during the year. Subsequent to reporting date, title of land was transferred in the name of the Company.

13.2 The fair value of the land approximates to Rs. 500,000 thousand. The latest valuation was made by an independent valuer during the current year.

	Note	2021 (Rupees '000)	2020
14 LONG TERM INVESTMENTS - AT COST			
Joint venture	14.1	1,411,150	1,411,150
Associated companies	14.2	5,230,991	7,691,556
Subsidiary companies	14.3	18,967,391	15,443,697
Other long term investment	14.4	-	-
		25,609,532	24,546,403
<i>Impairment recognized on subsidiaries during the year:</i>			
Fauji Meat Limited		2,102,788	3,682,212
Fauji Foods Limited		-	400,000
		2,102,788	4,082,212

14.1 This represents a 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco. PMP is a private limited company having registered office located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco. The principal place of business is Jorf Lasfar, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad. The cost of investment in Moroccan Dirhams amounts to 200,000 thousands made in period from 2004 to 2006.

According to the shareholders' agreement, if any legal restrictions on repatriation of dividends by PMP, the dividend will be converted to an interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMP's lenders.

PMP has declared dividend amounting to Rs. 577,634 thousand (2020: Rs. 1,118,720 thousand), during the year.

Notes to the Financial Statements

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14.2 Associated companies

2021	2020			2021	2020
Number of Shares		Quoted	Note	(Rupees '000)	
271,884,009	271,884,009	Askari Bank Limited	14.2.1	5,230,991	5,230,991
		Unquoted			
-	122,587,323	Foundation Wind Energy - I Limited	14.2.2	-	1,225,873
-	123,469,160	Foundation Wind Energy - II Limited	14.2.2	-	1,234,692
271,884,009	517,940,492			5,230,991	7,691,556

14.2.1 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 271,884 thousand ordinary shares of Rs. 10 each acquired at an average price of Rs. 19.31 per share. The market value of the investment in AKBL as at December 31, 2021 was Rs. 5,986,886 thousand (2020: Rs. 6,359,367 thousand). The head office of AKBL is situated at AWT Plaza , P.O BOX 1084, Rawalpindi.

14.2.2 Pursuant to the approval of the Board of Directors and shareholders in their respective meetings held on June 29, 2021 and July 27, 2021, respectively, the Company disposed-off all of its shareholding in associated companies - Foundation Wind Energy - I Limited and Foundation Wind Energy - II Limited, effective September 29, 2021, to one of the Company's shareholders, Fauji Fertilizer Company Limited, a related party, as per respective Share Purchase Agreements. The consideration amounted to Rs. 2,622 million and Rs. 2,634 million at agreed price per share of Rs. 21.39 / share and Rs. 21.33 / share, respectively, after dividends received from FWE-I and FWE-II after December 31, 2020. The Company has recognized a gain of Rs. 1,396 million and Rs. 1,399 million, respectively, in the statement of profit or loss (refer to note 32).

Under the Share Purchase Agreement, FFC is also liable to pay additional consideration to the Company, as and when FWE I and FWE II receive Late Payment Surcharge (LPS), under their respective Power Purchase Agreement (PPA). Due to the uncertainty and improbability of timing and value of contingent consideration, the Company has not recognized any gain against such contingent consideration, whose fair value, is not expected to be significant.

14.3 Subsidiary companies

2021	2020			2021	2020
Number of Shares			Note	(Rupees '000)	
		Unquoted			
		Fauji Meat Limited			
688,500,000	688,500,000	Gross value	14.3.1	6,885,000	6,885,000
		Impairment		(6,885,000)	(4,782,212)
				-	2,102,788
-	29,851,800	FFBL Foods Limited	1.2	-	298,518
644,062,500	644,062,500	FFBL Power Company Limited	14.3.2	6,440,625	6,440,625
		Quoted			
		Fauji Foods Limited			
1,134,701,257	542,201,257	Gross value	14.3.3	13,346,766	7,421,766
		Impairment		(820,000)	(820,000)
				12,526,766	6,601,766
2,467,263,757	1,904,615,557			18,967,391	15,443,697

Notes to the Financial Statements

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- 14.3.1** This represents the Company's investment in 90.18% (2020: 90.18%) equity shares of Fauji Meat Limited (FML). The Company initially acquired 225,000,000 ordinary shares of Rs. 10 each in FML for a total consideration of Rs. 2,250 million, with the further investment of Rs. 1,500 million and Rs. 3,135 million in 2018 and in 2019, respectively, in the form of cash and conversion of sub-ordinated loan and related mark-up. The principal objectives of FML are to establish and operate a meat abattoir unit for Halal slaughtering of animals to obtain meat for local and export sale. FML has commenced its commercial operations during the first quarter of 2017. The Company has pledged 51% of shares of FML against a long term project finance facility. The principal place of business of FML is Deh Kohistan Chak No. 1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta.

As at the reporting date, the Company performed an impairment test for its investment in FML. The Company plan to minimize losses being suffered by FML by reducing its operations to minimum levels and to actively search for potential buyers. The Company employed external valuers to help in determining probable realizable value of plant and property of FML. Based on this analysis, the Company has determined that FML would not be able to wholly repay outstanding amount of subordinated loan (refer to note 15). Accordingly, the recoverable amount, being the value in use, of the Company's equity investment in FML was reduced to Rs. Nil. Previously, the Company determined value in use in FML on the basis of cash flow projections approved by Board of Directors, covering 5 years period, accordingly an additional impairment charge of Rs. 2,103 million (2020: Rs. 3,682 million) has been recognized in the statement of profit or loss.

- 14.3.2** This represents the Company's investment in 75% equity shares of FFBL Power Company Limited (FPCL). The Company acquired 644,063 thousand ordinary shares of Rs. 10 each in FPCL for a total consideration of Rs. 6,440,625 thousand. The principal objective of FPCL is to set up and operate a 118 MW power project. FPCL has commenced commercial production on May 19, 2017, refer to note 3.4 for the Company's arrangement with FPCL for purchase of power and steam. The principal place of business of FPCL is Eastern Industrial Zone of Port Qasim, Karachi.

- 14.3.3** During 2015, the Company jointly with Fauji Foundation, acquired a 51% shareholding of Fauji Foods Limited (Formerly Noon Pakistan Limited) (FFL), a listed company engaged in process and sale of toned milk, milk powder, fruit juices, allied dairy and food products with shares listed on the Pakistan Stock Exchange Limited. As per the agreement signed on May 18, 2015, the Company and Fauji Foundation acquired voting shares of 38.25% (4,500 thousand) and 12.75% (1,500 thousand) respectively. Management of the Company had assessed that control of FFL was obtained by the Company from the date of acquisition, i.e. September 04, 2015.

During 2016 and 2017, the Company acquired additional voting and non-voting shares of FFL through exercise of rights issues (including shares renounced by other shareholders), and from the open market, having a total cost of Rs. 2,184,067 thousand and Rs. 2,008,978 thousand, respectively.

Pursuant to approval in Annual General Meeting of the Fauji Foods Limited (FFL) held on March 26, 2018, voting and non voting shares classes of FFL have been consolidated. There was no change in the Company's effective holding after the consolidation of share classes. Accumulated shareholdings of the Company after consolidating the share classes was 50.59%, representing 267,315 thousands shares.

During 2020, pursuant to approval in Annual General Meeting (AGM) of the Company, held on March 30, 2020, the Company communicated their intention to exercise their option to convert sub-ordinated loan of Rs. 2,630 million along with related accrued mark-up as of December 31, 2019 amounting to Rs. 119 million to share capital, at face value. FFL, pursuant to their AGM held on April 2, 2020 has approved to issue 274,886,400 shares to the Company, which were allotted to the Company on July 15, 2020. Accumulated shareholdings of the Company after this conversion was 67.50%, representing 542,201 thousands shares.

During the year, pursuant to the approval and authorization of the Board of Director's, in their meeting held on September 30, 2021, the Company acquired further shares of FFL through exercise of rights issues (including shares renounced by Fauji Foundation) by utilising the total subordinated debt of Rs. 5.925 Billion ("Principal Amount of Debt") granted by the Company to FFL. The utilisation of the Principal Amount of Debt for acquiring shares has also been previously approved by the shareholders of the Company.

The Company has subscribed to 527,015,064 shares as part of the Company's entitlement to FFL's rights issue and 65,484,936 shares, renounced portion by Fauji Foundation. Accumulated shareholdings of the Company after this conversion was 71.63% (2020: 67.50%), representing 1,134,701,257 thousands shares (2020: 542,201 thousands shares).

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The market value of the investment in FFL, based upon share price of free float on PSX, as at December 31, 2021, was Rs. 10,427,905 thousand (2020: Rs. 9,418,036 thousand).

As at the reporting date, the Company performed an impairment test for its investment in FFL. The Company has determined recoverable amount of FFL, based on a value-in-use calculation, which was higher than the carrying amount of the investment in the Company's financial statements (2020: which was lower than the carrying amount of the investment), accordingly no further impairment has been recognized (2020: accordingly further impairment of Rs. 400 million has been recognized). Value-in-use was estimated using long term cash flow projections approved by Board of Directors of FFL. The pre-tax risk adjusted discount rate and the long term market growth-rate applied to cash flow projections is 12.99% and 5% (2020: 14.25% and 5%), respectively, both of which are inherently uncertain. The cash flow projections are sensitive to assumptions regarding period of sustained growth, long term market growth-rate and discount rate.

- 14.4** The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The breakup value based on audited accounts for the year ended June 30, 2018 was negative Rs. 10.67 per ordinary share. This investment is fully impaired.

	Note	2021 (Rupees '000)	2020
15 LONG TERM LOANS			
Related parties			
Fauji Meat Limited - unsecured	15.1	6,198,549	1,065,318
Allowance for expected credit losses	15.2	(2,968,040)	-
		3,230,509	1,065,318
Fauji Foods Limited - unsecured	14.3.3	-	5,925,000
		3,230,509	6,990,318

Movement in balances is as follows:

	2021 (Rupees '000)			2020
	FFL	FML	Total	Total
Opening balance	5,925,000	1,065,318	6,990,318	3,130,000
Loan given during the year	-	5,133,231	5,133,231	6,490,318
Converted to equity	(5,925,000)	-	(5,925,000)	(2,630,000)
	-	6,198,549	6,198,549	6,990,318
Interest accrued (Note 21)	750,540	-	750,540	473,490
	750,540	6,198,549	6,949,089	7,463,808
Less: Interest accrued (Note 21)	(750,540)	-	(750,540)	(473,490)
Closing balance	-	6,198,549	6,198,549	6,990,318

15.1 The outstanding amount of Subordinated loan consists of:

- Rs. 3,000 million, out of which Rs. 2,435 million (December 31, 2020: Rs. 565 million), were disbursed during the period is payable within 1 year from date of disbursement of each respective tranche, commencing from March 29, 2022. The total limit of loan to FML, approved in the Company's annual general meeting, on March 30, 2020, is Rs. 3,000 million (unless otherwise utilized). The tenure of the loan has been extended for a further period of 1 year in the Company's Annual General Meeting held on March 29, 2021. The loan carries mark-up at the rate which is higher of the Company's borrowing cost or KIBOR for the relevant period plus 1.5%, per annum, on the terms set out in the agreement and in compliance with the requirements of section 199 of Companies Act, 2017;

Notes to the Financial Statements

For the year ended December 31, 2021

- Rs. 2,698 million disbursed during the period, is payable within 1 year from date of disbursement of each respective tranche, commencing from May 27, 2022. The total limit of loan to FML, approved in the Company's Annual General Meeting, on March 29, 2021, is Rs. 3,500 million (unless otherwise utilized). The loan carries mark-up at the rate which is higher of the Company's borrowing cost or KIBOR for the relevant period plus 1.5%, per annum, on the terms set out in the agreement and in compliance with the requirements of section 199 of Companies Act, 2017; and

- Rs. 500 million, payable within 5 year from date of disbursement of each respective tranche, commencing from March 20, 2024. The loan carries mark-up at the rate which is higher of the Company's borrowing cost or KIBOR for the relevant period plus 0.5%, per annum, on the terms set out in the agreement and in compliance with the requirements of section 199 of Companies Act, 2017.

Subsequent to reporting date, Board of Directors of the Company approved in their meeting held January 26, 2022 to convert all outstanding loan (including markup accrued thereon) at par value into the ordinary shares of FML by written notice to FML, subject to approval of Securities and Exchange Commission of Pakistan and fulfillment of other regulatory requirements. Accordingly, all loans due within 12 months have been classified as non-current.

As of reporting date, the Company has carried out an assessment to determine allowance for Expected Credit Loss and recognized a loss of Rs. 2,968 million (2020: Rs. Nil) as of reporting date. Refer to note 2.4.6 for details of significant estimates and assumptions.

15.2 Movement in provision during the year is as follows:

	Note	2021 (Rupees '000)	2020
Balance at beginning of the year		-	-
Expected credit loss	33	2,968,040	-
		2,968,040	-
16 STORES AND SPARES			
Stores		433,992	444,396
Spares		1,624,055	1,593,592
Provision for obsolescence	16.1	(264,017)	(202,777)
		1,794,030	1,835,211
16.1 The movement in provision is as follows:			
Opening balance		202,777	131,044
Provision recognized during the year	27	61,240	78,985
Provision written-off against stores and spares		-	(7,252)
		264,017	202,777
17 STOCK IN TRADE			
Packing materials		115,703	70,783
Raw materials		2,790,235	1,121,116
Raw materials in transit		5,314,957	1,348,173
Work in process		42,120	100,364
Finished goods	17.1	125,185	221,132
		8,388,200	2,861,568
17.1	As at December 31, 2021, finished goods stock amounting to Rs. 24,005 thousand (2020: Rs. 8,168 thousand) are held with Fauji Fertilizer Company Limited.		

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
18	TRADE DEBTS		
	Secured - considered good	94,238	1,656,387
19	ADVANCES		
	Advances to:		
	Executives, secured, considered good	12,972	11,504
	Other employees, secured, considered good	81,317	58,642
	19.1 & 19.2	94,289	70,146
	Advances to suppliers and contractors		
	Considered good	482,776	702,556
		577,065	772,702
19.1	Movement of carrying amount of advances to executives and other employees		
	Balance at beginning of the year	70,146	77,683
	Disbursements	180,593	102,133
	Repayments	(156,450)	(109,670)
		94,289	70,146

19.2 These represent interest free advances given to employees, including executives, of the Company, in accordance with the Company's policy. These are repayable within one year. Maximum amount outstanding with key management personnel were Rs. 963 thousand (2020: Rs. Nil), at any time during the year.

	Note	2021 (Rupees '000)	2020
20	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Security deposits	6,436	6,852
	Prepayments	118,173	93,047
		124,609	99,899
21	INTEREST ACCRUED		
	Subordinated loan to FFL	750,540	293,073
	Subordinated loan to FML		
	Gross amount	436,086	180,417
	ECL on subordinated loan to FML	(436,086)	-
		-	180,417
	Term deposits and deposits with financial institutions	5,579	13
		756,119	473,503

21.1 This represents markup accrued on outstanding principal amount of subordinated loan to FFL, charged at the rate which is higher of the Company's borrowing cost or KIBOR for the relevant period plus 1.5%. The Company has the right, as and when desired by the Board of Directors, to convert all or part of the outstanding markup accrued thereon into the ordinary shares of FFL by written notice to FFL.

Based on the results of the impairment assessment of the Company's equity investment in FFL, as disclosed in note 14.3.3, management has determined that there was no significant expected credit loss on interest accrued.

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
21.2	Movement in provision during the year is as follows:		
	Balance at beginning of the year	-	-
	Expected credit loss	33 436,086	-
		436,086	-
22	OTHER RECEIVABLES		
	Due from Fauji Fertilizer Company Limited - unsecured, considered good	22.1 2,523,902	1,827,496
	Subsidy on DAP and Urea receivable from the Government of Pakistan	22.2 3,160,992	3,160,992
	Receivable from PMP	22.3 9,456	453,052
	Receivable from FPCL	22.4 112,857	102,722
	Receivable from FML	22.5 68,178	33,682
	Receivable from FFL	22.6 -	1,527
	Receivable from FFBL Foods Limited	-	1,891
	Others - Considered good	16,980	17,723
		5,892,365	5,599,085
	Less: Provision against doubtful other receivables	22.7 (1,279,130)	(428,952)
		4,613,235	5,170,133
22.1	This interest free balance represents amounts recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Company's products under an inter-company services agreement (refer to note 26.2 and 28.1). The collection is transferred on a weekly basis. Maximum amount outstanding during the year was Rs. 6,144 million (2020: Rs. 10,534 million). It is neither past due nor impaired.		
22.2	This includes a subsidy @ PKR 100 per 50 kg bag, on sale of Urea fertilizer, pursuant to notification No.15 (4) CFC / 2015 dated August 07, 2017, issued the Ministry of Finance, Government of Pakistan . Subsidy scheme has been discontinued w.e.f. 30 June 2018. This also includes a subsidy @ PKR 300 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer, and a subsidy @ PKR 156 per 50 kg bag of Urea fertilizer, pursuant to notification F. No. 1-11/2012/DFSC-II/Fertilizer dated June 25, 2016, issued by the Ministry of National Food Security and Research, Government of Pakistan.		
22.3	This includes an amount of Rs. Nil (2020: Rs. 447 million), receivable from Pakistan Maroc Phosphore (PMP), a joint venture of the Company, against dividend. Maximum amount outstanding during the year was Rs. 561 million (2020: Rs. 657 million). It is neither past due nor impaired.		
22.4	This represents receivable from FPCL, a subsidiary of the Company against the material / services provided and use of common facility, during the year. The related invoice is issued on a monthly basis with a credit period of 30 days. Maximum amount outstanding during the year was Rs. 1,487 million (2020: Rs. 2,207 million). It is neither past due nor impaired.		
22.5	This represents receivable from FML, a subsidiary of the Company against a charge under inter company agreement for use of common facility, during the year. The related invoice is issued on a monthly basis with a credit period of 30 days. Maximum amount outstanding during the year was Rs. 68 million (2020: Rs. 33.6 million). During the year, the Company has recognized expected credit loss against receivable from FML amounting to Rs. 68 million.		
22.6	This represents receivable from FFL, a subsidiary of the Company against a charge under inter company agreement for use of common facility, during the year. The related invoice is issued on a monthly basis with a credit period of 30 days. Maximum amount outstanding during the year was Rs. 5.1 million (2020: Rs. 9.5 million). It is neither past due nor impaired.		

Notes to the Financial Statements

For the year ended December 31, 2021

22.7 Movement in provision during the year is as follows:

	Note	2021		
		Receivable from FML	Receivable from GoP	Total
		(Rupees '000)		
Balance at beginning of the year		-	428,952	428,952
Expected credit loss for the year	33	68,178	782,000	850,178
		68,178	1,210,952	1,279,130

	Note	2020		
		Receivable from FML	Receivable from GoP	Total
		(Rupees '000)		
Balance at beginning of the year		-	196,952	196,952
Expected credit loss for the year	33	-	232,000	232,000
		-	428,952	428,952

23	SALES TAX REFUNDABLE - NET	Note	2021	2020
			(Rupees '000)	
	Sales tax refundable		13,594,920	9,148,890
	Allowance for input tax	23.1	(1,107,276)	(713,549)
			12,487,644	8,435,341

23.1 This represents allowance for input tax charged to cost of sales under section 73(4) of Sales Tax Act, 1990.

24	SHORT TERM INVESTMENTS	Note	2021	2020
			(Rupees '000)	
	Amortized cost			
	Term deposits with banks and financial institutions	24.1	2,100,000	-
	Investments at fair value through profit or loss			
	Mutual funds	24.2	8,341,700	-
			10,441,700	-

24.1 These deposits carried interest at rate 10.75% (2020: 12.80%) per annum maturing on January 21, 2022.

24.2 Mutual funds

Nature of fund		2021		
		No. of units	Cost	Fair value
		(Rupees '000)		
Cash fund	128,293,105	4,200,000	4,227,928	
Islamic fund	90,240,194	3,300,000	3,309,461	
Money market funds	53,833,074	800,000	804,311	
		8,300,000	8,341,700	

Notes to the Financial Statements

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Nature of fund	No. of units	2020	
		Cost	Fair value
		(Rupees '000)	
Income fund	-	-	-
Islamic fund	-	-	-
Money market funds	-	-	-
		-	-

25	CASH AND BANK BALANCES	Note	2021	2020
			(Rupees '000)	
	Deposit accounts			
	in local currency	25.1	35,993,587	20,026,816
	in foreign currency		3,472	2,042
		25.2	35,997,059	20,028,858
	Current accounts		131,940	5,018,594
	Cash in hand		980	980
			36,129,979	25,048,432

25.1 This includes Rs. 1,997,473 thousand (2020: Rs. 2,256,824 thousand) held under lien by the commercial banks against various facilities.

25.2 These deposit accounts carry interest at rates ranging from 3.50% to 11% (2020: 3.75% to 7.25%) per annum.

25.3	CASH AND CASH EQUIVALENTS	Note	2021	2020
			(Rupees '000)	
	Cash and cash equivalents included in the statement of cash flows comprise the following:			
	Cash and bank balances	25	36,129,979	25,048,432
	Short term highly liquid investments	24	2,100,000	-
	Short term running finance	10	(8,787,861)	(11,372,078)
			29,442,118	13,676,354

Notes to the Financial Statements

For the year ended December 31, 2021

		2021 (Rupees '000)	2020
	Note		
26 SALES - net			
Urea		16,984,961	18,120,322
DAP		95,694,884	66,965,421
Total revenue from contracts with customers	26.1	112,679,845	85,085,743
Less:			
Sales tax		2,201,840	1,707,021
Trade discount		-	114,645
Commission to Fauji Fertilizer Company Limited	26.2	25,831	29,717
		2,227,671	1,851,383
	26.3	110,452,174	83,234,360

26.1 Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer via FFC, a related party, generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer. For detail refer note 3.19.

26.2 Commission is paid at the rate of Re. 1 per bag sold by Fauji Fertilizer Company Limited, based on an inter-company services agreement.

		2021 (Rupees '000)	2020
26.3 Disaggregated revenue information			
Type of goods or service			
Urea		16,645,060	17,652,010
DAP		93,807,114	65,582,350
Total revenue from contracts with customers		110,452,174	83,234,360
26.4 Contract Balances			
Trade debts		94,238	1,656,387
Advance from customers		5,764,548	2,204,000

Owing to market conditions, credit sales decreased towards the end of the year and advances from customers increased from Rs. 2,204 million to Rs. 5,765 million as a result of increased demand. The transaction price allocated to unsatisfied performance obligations as at December 31, 2021 are expected to be recognized as revenue within 1 year.

	2021 (Rupees '000)	2020
Set out below is the amount of revenue recognized from:		
Amounts included in contract liabilities at the beginning of the year	2,204,000	83,309
Performance obligations satisfied in previous years	-	-

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	(Rupees '000)	
27	COST OF SALES		
Raw materials consumed		69,490,257	42,823,676
Packing materials consumed		1,038,651	776,157
Fuel and power	27.1	12,555,462	10,449,294
Chemicals and supplies consumed		180,505	227,228
Salaries, wages and benefits	27.2	2,116,130	2,297,123
Rent, rates and taxes		163,947	109,082
Insurance		152,648	178,639
Travel and conveyance		127,032	103,175
Provision for obsolete stores and spares	16.1	61,240	78,985
Repairs and maintenance		1,084,188	1,021,556
Communication, establishment and other expenses		355,947	227,930
Depreciation	12.2	820,337	776,940
Opening stock - work-in-process		100,364	194,733
Closing stock - work-in-process		(42,120)	(100,364)
Cost of goods manufactured		88,204,588	59,164,154
Opening stock - finished goods		221,132	11,712,363
Closing stock - finished goods		(125,185)	(221,132)
Cost of sales		88,300,535	70,655,385
27.1	This includes cost recognized for use of power and steam, generated by FPCL, a subsidiary company, amounting to Rs. 6,093,393 thousand and Rs. 5,422,013 thousand (2020: Rs. 5,616,395 thousand and Rs. 3,877,569 thousand), respectively.		
27.2	This includes a charge on account of employees' retirement benefits in respect of the gratuity, provident funds, and for compensated absences, amounting to Rs. 34,183 thousand, Rs. 45,032 thousand and Rs. 112,452 thousand, respectively. (2020: Rs. 49,063 thousand, Rs. 50,106 thousand and Rs. (2,190) thousand, respectively).		
	Note	2021	2020
		(Rupees '000)	
28	SELLING AND DISTRIBUTION EXPENSES		
Product transportation		4,296,938	3,710,716
Salaries, wages and benefits		33,123	29,155
Travel and conveyance		187	940
Others		991	519
		4,331,239	3,741,330
Expenses allocated by Fauji Fertilizer Company Limited	28.1	1,309,168	1,544,439
		5,640,407	5,285,769
28.1	This represents common expenses allocated by Fauji Fertilizer Company Limited on account of marketing of the Company's products based on an inter company services agreement.		

Notes to the Financial Statements

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		2021	2020
	Note	(Rupees '000)	
29	ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	29.1	919,421	594,481
Travel and conveyance		29,341	33,244
Utilities		36,979	26,711
Printing and stationery		9,378	6,725
Repairs and maintenance		141,307	136,705
Communication, advertisement and other expenses		52,485	53,556
Rent, rates and taxes		6,330	7,195
Donations	29.2	7,881	12,911
Cost charged by FF		79,292	37,500
Legal and professional		121,713	146,804
Depreciation	12.2	143,719	149,396
Miscellaneous		52,792	49,898
		1,600,638	1,255,126

29.1 This includes charges on account of employees' retirement benefits in respect of the gratuity and provident funds, and for compensated absences, amounting to Rs. 18,068 thousand, Rs. 19,613 thousand and Rs. 37,230 thousand (2020: Rs. 16,475 thousand, Rs. 22,006 thousand and Rs. (9,898) thousand), respectively.

29.2 During the year, the Company has not paid donations to any organization, in which any director or his spouse has any interest.

Donation to following parties / organizations exceeded 10% of total donation expense or Rs. 1,000 thousand:

	2021	2020
	(Rupees '000)	
Armed Forces Institute of Cardiology (AFIC)	5,000	-
Fauji Foundation	-	7,400
Pakistan Taekwondo Federation	-	650
National Defence University	-	1,000
AI - Mujtaba Education Trust	-	2,250

		2021	2020
	Note	(Rupees '000)	
30	FINANCE COSTS		
Mark-up on short term borrowings		366,337	1,434,738
Mark-up on demand finance		134,309	909,309
Mark-up on long term finance		1,783,081	1,904,998
Guarantee fee		42,177	41,847
Interest on WPPF	8.3	2,034	-
Other financial charges		-	124,096
Bank charges		10,169	29,134
		2,338,107	4,444,122

For the year ended December 31, 2021

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Notes to the Financial Statements

For the year ended December 31, 2021

		2021 (Rupees '000)	2020
	Note		
34	TAXATION		
Current tax			
For the year		5,888,363	1,777,014
Prior years		-	40,459
		5,888,363	1,817,473
Deferred tax			
For the year		(754,521)	882,906
Prior years		-	-
		(754,521)	882,906
		5,133,842	2,700,379
34.1	Reconciliation of tax charge for the year:		
Profit before tax		11,524,803	4,892,816
Tax on profit		3,342,193	1,418,917
Tax effect of lower rate on certain income / expenses		(705,452)	(493,265)
Tax effect of exempt income / permanent differences		803,724	793,886
Minimum tax		-	654,296
Tax effect of deferred tax not recognized on business loss		1,714,856	286,640
Tax effect of prior year adjustment		(20,490)	40,459
Others		(989)	(554)
		5,133,842	2,700,379
35	EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation (Rupees '000)		6,390,961	2,192,437
Weighted average number of ordinary shares in issue during the year (thousands)*	35.1	1,288,450	1,035,480
Earnings per share - basic and diluted (Rupees)		4.96	2.12

There is no dilutive effect on the basic earnings per share of the Company for the year 2021.

35.1 As disclosed in note 4.3, the Company has allotted, under a right issue, 357,142,857 ordinary shares (i.e. 38.3325% of existing ordinary shares of Rs. 10 per share) at Rs. 14 per share. In accordance with requirements of relevant accounting standard, the weighted average number of ordinary shares outstanding during the previous year were already adjusted for the bonus element in the right issue, by applying adjustment factor of 1.1085, in prior year.

* The weighted average number of shares takes into account the weighted average effect of changes in ordinary shares during the year.

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	Note	2021 (Rupees '000)	2020
36 CASH GENERATED FROM OPERATING ACTIVITIES			
Profit before taxation		11,524,803	4,892,816
Adjustments for:			
Provision for gratuity		52,312	65,538
Exchange loss		1,468,121	8,706
Provision for compensated absences		150,356	(12,088)
Provision for Workers' Profit Participation Fund	8.3	630,093	259,631
Provision for Workers' Welfare Fund		446,970	40,177
Depreciation	12.2	964,056	926,336
Recognition of provision for obsolete stores and spares	16.1	61,240	78,985
Impairment charge on investments		2,102,788	4,082,212
Unwinding cost / remeasurement gain on GIDC payable		1,253,839	(2,740,855)
Provision for other receivables and long term-loan		4,254,304	232,000
Finance cost		2,338,107	4,444,122
Mark-up on sub-ordinated loans and guarantee fee		(713,136)	(375,824)
Dividend income		(3,670,505)	(3,523,140)
Allowance for input tax	23	393,727	713,549
Gain on disposal of investment		(2,795,442)	(84,253)
Loss on amalgamation of subsidiary		3,872	-
Profit on bank balances and term deposits		(1,291,515)	(559,467)
Fair value gain on mutual fund investments		(22,363)	(183)
Cash dividend on mutual funds		(22,648)	(197)
Gain on sale of property, plant and equipment		(8,565)	(111,443)
		17,120,414	8,336,622
Working capital changes:			
(Increase) / decrease in current assets			
Stores and spares		(20,058)	60,494
Stock in trade		(5,526,632)	11,894,486
Trade debts		1,562,149	6,950,498
Advances		195,637	150,529
Trade deposits and short term prepayments		(24,710)	32,789
Other receivables		(738,707)	1,050,163
Sales tax refundable		(4,446,030)	(431,922)
Increase in current liabilities			
Trade and other payables		17,764,444	1,314,774
Advances from customers		3,560,548	2,120,691
		12,326,641	23,142,502
		29,447,055	31,479,124

Notes to the Financial Statements

For the year ended December 31, 2021

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2021		2020	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	34,209	777,819	23,607	1,319,460
Bonus paid	18,180	163,359	2,290	-
Contributory provident fund	2,015	34,170	1,363	39,290
Others	2,525	228,876	6,013	191,389
	56,929	1,204,224	33,273	1,550,139
No. of person (s)	2	152	2	180

The above are provided with medical facilities as well. The Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment, while the contribution for executives in respect of gratuity is on the basis of an actuarial valuation. Leave encashment was paid to executives amounting to Rs. 17,077 thousand (2020: Rs. 17,553 thousand) on separation in accordance with the Company's policy.

Directors of the Company were paid meeting fees aggregating to Rs. 34,165 thousand (2020: Rs. 11,250 thousand). No other remuneration was paid to directors of the Company (2020: Nil). The number of directors of the Company was 12 (2020: 12).

As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

38 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Notes to the Financial Statements

For the year ended December 31, 2021

38.1 Credit risk

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

	2021	2020
	(Rupees '000)	
Long term loans	6,198,549	6,990,318
Trade debts	94,238	1,656,387
Deposits	85,079	85,495
Advances	94,289	70,146
Interest accrued	1,192,205	473,503
Other receivables	5,892,365	5,599,085
Short term investments	2,100,000	-
Bank balances	36,128,999	25,047,452
	51,785,724	39,922,386

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 has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 2,523,902 thousand (2020: Rs. 1,827,496 thousand) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The Company has also advanced unsecured long term loans of Rs. 6,198,549 thousand (2020: Rs. 1,065,318 thousand) and Rs. Nil thousand (2020: Rs. 5,925,000 thousand), to Fauji Meat Limited (FML) and Fauji Foods Limited (FFL), respectively, related parties (refer to note 15). Accrued interest of Rs. 436,086 thousand and Rs. 749,266 thousand (2020: Rs. 180,417 thousand and Rs. 293,073 thousand) is also outstanding from FML and FFL, respectively. The remaining amount includes receivable from the Government of Pakistan amounting to Rs. 3,160,992 thousand (2020: Rs. 3,160,992 thousand) on account of subsidy income, and Rs. 190,491 thousand (2020: Rs. 592,874) receivable from various related parties (refer to note 22), mainly in respect of dividend income and transactions in the normal course of business.

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 and advances to employees.

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

Notes to the Financial Statements

For the year ended December 31, 2021

38.2 Credit quality of financial assets

The credit quality of company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2021 (Rupees '000)	2020
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past	unrated	94,238	1,656,387
Deposits			
Counterparties without external credit ratings			
Others	unrated	85,079	85,495
Long term loans			
Counterparties without external credit ratings			
Others	unrated	6,198,549	6,990,318
Advances			
Counterparties without external credit ratings			
Others	unrated	94,289	70,146
Interest accrued			
Counterparties with external credit ratings			
	AA+	5,579	-
Counterparties without external credit ratings			
Others	unrated	1,186,626	473,503
Other receivables			
Counterparties with external credit ratings			
Receivable from related party	AA+	2,523,902	1,827,496
Counterparties without external credit ratings			
Receivable from Government of Pakistan	unrated	3,160,992	3,160,992
Receivable from others including related parties	unrated	207,471	610,597
Short term investments			
Counterparties with external credit ratings			
	AA+	2,100,000	-

Notes to the Financial Statements

For the year ended December 31, 2021

	Rating	2021 (Rupees '000)	2020
Bank balances			
Counterparties with external credit ratings	AAA	4,706,845	10,956,068
	AA+	19,905,151	3,816,083
	AA	1,415,299	5,695,720
	AA-	5,068,205	2,061,555
	A+	3,453,685	-
	A	501,881	2,015,565
	A-	1,077,934	502,461
		36,129,000	25,047,452

Impairment losses

As at the reporting date trade debts of Rs. 15,387 thousand (2020: Rs 96,496 thousand) were overdue up to 30 days. An impairment analysis is performed at each reporting date using a probability of default method to measure expected credit losses (ECL). The probability of default (PD) rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability - weighted outcome, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions. Whereas, the loss given default is based upon external credit rating of banks who have issued the letter of guarantees to the customers. Accordingly, the Company assess that any ECL on trade debts will be minimal. This is supported by absence of any loss in prior periods and management is confident that this loss rate will be minimally affected by current conditions and, reasonable and supportable forecasts. Therefore, the Company has not recorded any ECL on trade debts.

As discussed in note 14.3.3, the Company has carried out impairment test of its investment in FFL, wherein the Company has carried out an impairment assessment of its equity investment. As a part of this impairment test, the Company has assessed that FFL will have cash flows from their operations to repay the interest accrued, without any significant ECL.

As per historical pattern, the amount due from Fauji Fertilizer Company Limited is settled within a week. Accordingly, there is no significant risk of ECL in respect of this balance. Similarly, amounts from other related parties are settled in normal course of business and there is no significant risk of ECL, except amounts due from FML (excluding long term loan) which have been fully impaired.

The amount of subsidy receivable is linked to a sovereign entity, who can print the currency which is routinely held by Central Bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions, and reasonable and supportable forecasts. Therefore, the Company does not expect any significant ECL, as at the reporting date, excluding impact of time value of money.

Being low risk instruments, the Company has assessed an allowance on its balances with banks based on 12 months ECL. Based upon above mentioned high credit ratings, ECL rate on bank balances and short term investments round to zero.

In the previous years, the Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its long term investment as explained in note 14.4.

Notes to the Financial Statements

For the year ended December 31, 2021

38.3 Liquidity risk

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

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

<u>2021</u>	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 loans including mark-up	21,110,086	26,358,547	2,389,592	2,647,124	7,443,071	13,878,761	-
Trade and other payables	53,355,560	54,842,576	43,210,366	2,791,730	8,840,480	-	-
Short term borrowings including mark-up	11,026,978	11,026,978	11,026,978	-	-	-	-
	85,492,624	92,228,101	56,626,936	5,438,854	16,283,551	13,878,761	-
<u>2020</u>	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 loans including mark-up	22,416,863	26,403,265	2,485,694	3,468,073	7,633,167	12,816,331	-
Trade and other payables	32,863,937	35,605,192	18,389,521	2,791,730	5,583,461	8,840,480	-
Short term borrowings including mark-up	16,092,196	16,092,196	16,092,196	-	-	-	-
	71,372,996	78,100,653	36,967,411	6,259,803	13,216,628	21,656,811	-

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

The contractual cash flow relating to long term borrowings and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates as at reporting date have been disclosed in note 6 and note 10 to these financial statements respectively.

38.4 Market risk

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

38.4.1 Currency risk

Exposure to Currency Risk

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

Notes to the Financial Statements

For the year ended December 31, 2021

	2021		2020	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	3,472	20	2,042	13
Creditors	(24,005,532)	(134,946)	(5,963,390)	(36,857)
Net exposure	(24,002,060)	(134,926)	(5,961,348)	(36,844)

The following significant exchange rate applied during the year:

	Average rates		Reporting date rate (Bid-Offer average)	
	2021	2020	2021	2020
US Dollars	163.35	162.71	177.89	161.80

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 2,400,205 thousand (2020: Rs. 596,135 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

38.4.2 Interest rate risk

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

	2021 (Rupees '000)	2020
Fixed rate instruments		
Financial assets	2,100,000	-
Financial liabilities	23,046,828	24,042,976
Variable rate instruments		
Financial assets	39,227,568	27,019,176
Financial liabilities	29,712,867	33,613,746

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments as all of these are of a short term nature.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/ (decreased) profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020.

	Profit or loss	
	100 basis points increase (Rupees '000)	100 basis points decrease
December 31, 2021		
Cash flow sensitivity-variable rate instruments	95,147	(95,147)
December 31, 2020		
Cash flow sensitivity-variable rate instruments	(65,946)	65,946

Notes to the Financial Statements

For the year ended December 31, 2021

Market price risk

For investments at fair value through profit or loss, a 1% increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 83,417 thousand (2020: Rs. Nil thousand).

38.5 Fair values

Fair value versus carrying amounts

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

		2021		2020	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	(Rupees '000)			
Assets carried at amortized cost					
Long term loans - net of provision	15	3,230,509	3,230,509	6,990,318	6,990,318
Trade debts	18	94,238	94,238	1,656,387	1,656,387
Deposits		85,079	85,079	85,495	85,495
Advances		94,289	94,289	70,146	70,146
Interest accrued - net of provision		1,192,205	1,192,205	473,503	473,503
Other receivables - net of provision	22	4,613,235	4,613,235	5,170,133	5,170,133
Short term investments	24	2,100,000	2,100,000	-	-
Cash and bank balances	25	36,129,979	36,129,979	25,048,432	25,048,432
		47,539,534	47,539,534	39,494,414	39,494,414
Assets carried at fair value					
Short term investments - Investments at fair value through profit or loss	24	8,341,700	8,341,700	-	-
Liabilities carried at amortized cost					
Long term loans including accrued interest	6 & 9	21,110,086	21,110,086	22,416,863	22,416,863
Trade and other payables	7 & 8	53,355,560	52,836,170	32,863,937	32,863,937
Short term borrowings including accrued interest	9 & 10	11,026,978	11,026,978	16,092,196	16,092,196
		85,492,624	84,973,234	71,372,996	71,372,996

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 excluding payable against GIDC, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in the market rate and rate of the instruments and most of the fixed rate instruments, excluding payable against GIDC, are short term in nature, therefore fair value significantly approximates to carrying value (refer to note 7.3 for discussion of fair value of payable against GIDC) as of reporting date.

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values, excluding payable against GIDC.

Notes to the Financial Statements

For the year ended December 31, 2021

Fair value hierarchy

The table below analyses financial instruments carried at fair value and assets for which fair value are disclosed by level of fair value hierarchy for the year ended December 31, 2021. 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).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes has occurred.

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2021			
Assets carried at fair value			
Short term investments - investment in mutual funds	8,341,700	-	-
December 31, 2020			
Assets carried at fair value			
Short term investments - investment in mutual funds	-	-	-

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

38.6 Fair value estimation

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

Investment in fair value through profit or loss

The fair value, which is determined for disclosure purposes, is calculated by an external valuer and are classified as level 3 in fair value hierarchy.

Investment in subsidiaries and associates

The fair value of investment in quoted securities are determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy.

Investment in mutual funds

The investment in quoted funds are determined by reference to bid price offered by the respective asset management company at the reporting date at level 1 in fair value heirarchy.

Non - derivative financial assets

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

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.

Fair value of investment property.

The fair value, which is determined for disclosure purposes, are classified as level 3 in fair value heirarchy.

Notes to the Financial Statements

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38.7 Capital management

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

The total long term loans to equity ratio as at 31 December, 2021 based on total long term loans of Rs. 20,925,006 thousand and total equity of Rs. 20,430,746 thousand was 1.02:1 (2020: 1.59:1).

The Company finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

39 RELATED PARTY TRANSACTIONS

The Company has related parties which comprise of subsidiaries, a joint venture, entities under common directorship, directors, key management personnel, shareholders and employees' funds. Fauji Fertilizer Company Limited (FFCL) has a 49.88% share holding in the Company (2020: 49.88%), while Fauji Foundation (FF) holds 18.29% shares (2020: 18.29%) in the Company. Transactions with related parties and the balances outstanding, other than those which have been disclosed elsewhere in these financial statements are given below. The carrying values of the investment in and loans to related parties are disclosed in notes 14 and 15, respectively, to the financial statements.

	2021	2020
	(Rupees '000)	
Transactions with Fauji Foundation		
Advance against issue of shares	-	914,466
Contribution to Institute of Cardiology (AFIC)	12,400	7,400
Services received	109,979	58,600
Services provided	2,903	-
Proceed from sale of vehicle	-	11,500
Payment against services	104,306	32,368
Balance payable at year end	24,002	33,632
Transactions with the subsidiary companies		
Fauji Meat Limited		
Material / services provided	7,200	7,200
Expenses incurred	27,297	22,219
Receipt against material / services	-	911
Balance receivable at year end	68,179	33,682
Mark-up on sub-ordinated loan	241,943	71,367
Guarantee fee	13,726	11,384
Guarantee fee and mark-up receivable	436,086	180,417
FFBL Power Company Limited		
Material / services provided	437,260	303,863
Expenses incurred	269,168	390,006
Material / services received	13,914,820	9,664,102
Balance payable at year end	1,530,560	1,185,407
Balance receivable at year end	112,857	102,722
Receipt against material / services	696,293	726,106
Payment against material / services	13,569,667	9,783,745
Dividend received	2,058,469	1,996,594

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	2021	2020
	(Rupees '000)	
Fauji Foods Limited		
Material / services provided	6,000	6,000
Expenses incurred	4,644	1,602
Material / services received	759	4,177
Receipt against material / services	11,412	12,398
Balance receivable at year end	-	1,527
Mark-up on sub-ordinated loan	442,467	266,283
Guarantee fee	15,000	26,790
Guarantee fee and mark-up receivable	750,540	293,073
FFBL Foods Limited		
Material / services provided	-	2,748
Balance receivable at year end	-	1,891
Receipt against material / services	-	857
Transactions with associated undertakings due to common directorship		
Fauji Fertilizer Company Limited		
Services and material acquired	1,310,917	1,547,455
Services and material provided	1,458	1,814
Advance against issue of shares	-	2,493,774
Receipts under consignment and current account	114,970,112	94,139,337
Commission charged to the Company	25,831	29,717
Proceeds from disposal of investment	5,256,007	-
Askari Bank Limited		
Balances at bank	16,264,836	1,014,123
Profit on bank balances	541,072	293,196
Long term loans	250,000	416,667
Mark-up on long term loans	26,781	55,098
Mark-up payable on long term loans at the year end	5,381	8,448
Dividend received	815,652	407,826
Foundation Wind Energy-I Limited & Foundation Wind Energy-II Limited		
Dividend received	218,750	-
Transactions with joint venture		
Pakistan Maroc Phosphore S.A., Morocco		
Purchase of raw materials	64,542,221	32,790,377
Expenses incurred on behalf of joint venture	5,214	-
Dividend received	1,025,064	671,290
Dividend receivable	-	447,430
Balance payable at the year end - secured	24,004,647	5,890,871
Balance receivable at the year end - unsecured	8,852	5,622

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	2021	2020
	(Rupees '000)	
Other related parties		
Contribution to provident fund	64,830	70,777
Payment to gratuity fund	52,853	108,116
Payment to Workers' (Profit) Participation Fund and Workers Welfare Fund	761,665	-
Balance payable - unsecured (WWF and WPPF)	1,178,861	861,430
Payable to gratuity fund	197,715	188,615
Meeting fee	34,165	11,250
Remuneration of key management personnel		
Short term benefits	189,488	146,837
Post employment benefit	35,990	42,128

In addition to the above:

- the Company has issued standby letter of credit amounting to Rs. 934 million in favour of the FML under the Diminishing Musharaka Agreement.
- the Company has provided sponsor support, to lenders of project financing arranged by FPCL, to fund any shortfall, to the extent FPCL is unable to fulfill its financial obligations:
 - (i) up to Rs. 29,150 million (2020: Rs. 29,150 million) and all cost over runs, till technical completion date; and
 - (ii) up to Rs. 8,000 million after project completion date.
- the Company has issued standby letter of credit amounting to Rs. 1,000 million in favour of the FFL under the Master Facility Agreement.
- the Company has also approved to provide a revolving guarantee amounting to Rs. 6,067 million in favour of the FFL under the Master Facility Agreement.

39.1 Detail of related parties

Name of related party	Basis of relationship	Percentage holding
Fauji Foundation (FF)	Common Directorship	-
Fauji Fertilizer Company Limited (FFCL)	Common Directorship	-
Pakistan Maroc Phosphore (PMP)	Joint Venture / Common Directorship	25.00%
Fauji Meat Limited (FML)	Subsidiary / Common Directorship	90.18%
Fauji Foods Limited (FFL)	Subsidiary / Common Directorship	71.63%
FFBL Power Company Limited (FPCL)	Subsidiary / Common Directorship	75.00%
Fauji Cement Company Limited (FCCL)	Associate Company / Common Directorship	-
Askari Bank Limited (AKBL)	Associate Company / Common Directorship	21.57%
FFBL Gratuity Fund	Employee benefit fund	-
FFBL Provident fund	Employee benefit fund	-
FFBL Workers' (Profit) Participation Fund	Employee benefit fund	-

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40 GENERAL

	2021	2020
	(Tonnes)	
40.1 Production capacity		
Design capacity		
Urea	551,100	551,100
DAP	650,000	650,000
Actual production		
Urea	501,236	558,932
DAP	790,415	739,968

The actual production of Urea was below the design capacity of the plant; mainly owing to focus on DAP and low gas pressure.

	2021	2020
	(Numbers)	
40.2 Number of persons employed		
Employees at year end	797	787
Average employees during the year	795	900

40.3 Impact of COVID-19

On January 31, 2020, the World Health Organization (WHO) announced a global health emergency due to Corona virus. Because of the rapid increase in exposure globally, on March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The Government of Pakistan has from time to time imposed temporary restrictions on movement. The Company has adopted the required regulations. The plant operations remained broadly unaffected and there has been no significant effect on sales. Accordingly, till date there has been no effects on Company's financial as well as operational results. Management is also not expecting any significant disruptions in the future. Management of the Company, however, continue to evaluate it's effect till the date of authorization of these financial statements for current and next year.

40.4 Employees Provident Fund

Investments out of provident fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the rules formulated thereunder.

40.5 The Board of Directors in their meeting held on January 26, 2022 have proposed a final dividend of Rs. Nil per ordinary share.

40.6 Corresponding figures have been re arranged and re classified, where necessary, for more appropriate presentation of transactions and events, for the purposes of comparison.

Significant reclassification consists of following:

From	To	(Rupees '000)
Stores and spares	Property, plant and equipment	1,059,271

The impact of above reclassification on the comparative amounts in the statement of profit or loss is not significant; accordingly, the related amounts have not been restated. The impact of reclassification on financial position as of January 01, 2020 is not significant, accordingly no statement of financial position as of that date has been included in these financial statements.

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For the year ended December 31, 2021

40.7 The Board of Directors of the Company in their meeting held on January 26, 2022 has recommended:

(a) subject to approval by special resolution of the shareholders, renew, roll over and extend the time for repayment of markup accrued on its investment previously made by the Company in Fauji Foods Limited ("FFL") so as to renew, roll over and extend the time for repayment of mark-up of PKR 708,749,801 for a further period of one (1) year, accrued on the subordinated loans of FFL (the principal amounts of which have already been converted into equity);

(b) convert, as and when the Board of the Company deems fit, the accrued mark-up into fully paid-up ordinary shares of FFL (at a price to be determined by the Board) of the corresponding value, to be issued by FFL to the Company; and

(c) further to the approvals previously granted by the shareholders of the Company, the Company be and is hereby authorized to exercise its option to convert the subordinated shareholder loans of Rs. 7 billion, granted by the Company to Fauji Meat Limited ("FML") (together with mark-up accruing thereon till the date of allotment), into ordinary shares (of PKR 10 per share, i.e., at par value) of FML of the corresponding value.

40.8 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 26, 2022.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER



Consolidated Financial Statements

For the year ended December 31, 2021

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Independent Auditor's Report

To the members of Fauji Fertilizer Bin Qasim Limited (the Holding Company)

Opinion

We have audited the annexed consolidated financial statements of Fauji Fertilizer Bin Qasim Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Going Concern of subsidiary – Fauji Foods Limited	
<p>As of 31 December 2021, Fauji Fertilizer Bin Qasim Limited (the Holding Company) has ownership interest of 71.63% (2020: 67.50%) in Fauji Foods Limited (FFL). Accordingly, FFL along with other subsidiaries of the Holding Company are consolidated in the consolidated financial statements.</p> <p>FFL has consistently incurred losses since its acquisition in 2015. As of 31 December 2021, the accumulated losses of FFL, as disclosed in its financial statements, amounted to Rs. 16,396 million (2020: Rs. 15,188 million).</p> <p>The assessment of the FFL's ability to continue as a going concern is critical to the preparation of financial statements as it is significant to the decision making of users of the Group's financial statements.</p> <p>In view of the substantial operating losses and impact of assessment of the FFL's ability to continue as a going concern to the financial statements of the Group as a whole, it was considered a Key Audit Matter.</p> <p>Refer to note 1.2 of the accompanying consolidated financial statements, for the discussion on the matter by management.</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> Reviewed the business plan of the FFL approved by the Board of Directors. Performed budget vs actual analysis of the business plan 2021 in order to assess the reliability of the planning process of FFL. Performed analysis of key financial indicators which support the going concern assessment of FFL such as comparison of current assets versus liabilities, equity position at the year-end and operating results as compared to prior year. Evaluated the FFL's ability to meet its future financial and operating commitments based on the rights shares issued during the year including conversion of Holding Company's loan to equity. Assessed the adequacy of disclosures made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
2. Allowance Expected Credit Loss (ECL) on Subsidy receivable from Government of Pakistan	
<p>As of 31 December 2021, the Holding Company has recognized gross amount of Rs. 3,161 million (2020: Rs. 3,161 million) as subsidy on DAP and Urea receivable from Government of Pakistan; with an allowance for ECL amounting to Rs. 1,211 million (2020: Rs. 429 million).</p> <p>Management of the Holding Company has assessed that credit risk of this financial instrument has significantly increased since its inception, owing to delay in settlement of subsidy by Government, and thus required them to estimate ECL that result from all possible default events over the life of the financial instrument, under ECL model prescribed by IFRS 9 - "Financial Instruments". Management of the Holding Company is required to estimate ECL by taking into account time value of money, reasonable and supportable information regarding past events, current conditions, forecast of future events and economic conditions, attached to its financial instruments, at each reporting date. Accordingly, management of the Holding Company has assessed ECL on subsidy on DAP and Urea receivable from the Government of Pakistan, estimating the time value of money based on expected recovery of subsidy.</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> Understood the Holding Company's process for selection and application of methods to determine ECL on subsidy receivable from Government of Pakistan. Assessed the reasonableness of the management's assumptions used to determine the time value of money for recovery of subsidy receivable. Assessed the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. Checked the mathematical accuracy of the model by performing recalculations. Assessed the adequacy of disclosures made in the financial statements in accordance with the requirements of the applicable accounting and reporting standards.

Independent Auditor's Report

Key audit matters	How the matter was addressed in our audit
<p>The changes in above mentioned assumptions can lead to significant changes in the assessment of ECL allowance. Accordingly, we consider this as a key audit matter due to the significant judgment involved in estimating ECL allowance.</p> <p>Refer to notes 2.4.6 and 24.5 of accompanying consolidated financial statements, for a discussion on the matter by management.</p>	

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahsan Shahzad.



Chartered Accountants

Place: Islamabad

Date: 21 February 2022

UDIN: AR2021100799WMZImHRd

Consolidated Statement of Financial Position

As at December 31, 2021

	Note	2021 (Rupees '000)	2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	12,912,529	9,341,100
Advance against issue of shares	5	-	4,885,787
Capital reserve	6	1,632,729	228,350
Statutory reserve		2,352,571	1,880,710
Revenue reserves			
Translation reserve		4,055,119	3,575,458
Revaluation reserve on available for sale investments, net of tax	3.1	(517,348)	(32,845)
Accumulated profit		8,115,887	208,226
		28,551,487	20,086,786
NON CONTROLLING INTEREST			
	7	4,380,785	2,361,285
		32,932,272	22,448,071
NON CURRENT LIABILITIES			
Long term loans	8	33,516,088	35,085,279
Lease liabilities	9	156,403	379,289
Deferred liabilities	10	12,669,019	17,395,369
		46,341,510	52,859,937
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	11	48,543,202	23,797,774
Advances from customers		5,908,825	2,419,855
Unpaid dividend		10,954	10,954
Unclaimed dividend		117,833	117,973
Accrued interest	12	830,481	759,305
Short term borrowings	13	18,922,181	22,682,389
Current portion of short term loans	8	7,028,305	9,949,340
Current portion of lease liabilities	9	67,162	76,490
		81,428,943	59,814,080
		160,702,725	135,122,088
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes, from 1 to 44, form an integral part of these consolidated financial statements.

	Note	2021 (Rupees '000)	2020
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	47,848,922	50,286,924
Intangible assets	16	410,856	443,202
Investment property	17	270,242	-
Short term investments	18	20,468,042	24,287,166
Long term advances		39,113	3,210
Short term deposits		85,249	85,249
		69,122,424	75,105,751
CURRENT ASSETS			
Stores and spares	19	2,594,274	2,624,802
Stock in trade	20	12,621,736	4,334,005
Trade debts	21	2,061,629	3,161,372
Advances	22	962,732	1,265,010
Trade deposits and short term prepayments	23	307,491	273,873
Interest accrued		5,579	851
Other receivables	24	4,524,065	5,069,025
Income tax refundable - net		1,213,785	3,548,830
Sales tax refundable	25	13,995,728	9,561,645
Short term investments	26	13,943,049	1,560,936
Cash and bank balances	27	39,350,233	28,345,266
		91,580,301	59,745,615
Non current assets held for sale	28	-	270,722
		160,702,725	135,122,088



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
Sales - net	29	128,235,849	98,060,962
Cost of sales	30	(99,145,581)	(79,159,441)
GROSS PROFIT		29,090,268	18,901,521
Selling and distribution expenses	31	(6,846,633)	(6,441,218)
Administrative expenses	32	(2,476,094)	(2,005,635)
		(9,322,727)	(8,446,853)
		19,767,541	10,454,668
Finance costs	33	(4,811,006)	(8,344,459)
Other expenses	34	(5,407,489)	(555,196)
Allowance for expected credit losses	35	(751,353)	(505,040)
Other income	36	1,919,141	1,260,906
Share of profit of joint venture and associates - net		5,526,104	4,454,881
		16,242,938	6,765,760
Unwinding cost / remeasurement gain on GIDC payable	10	(1,253,839)	2,740,855
PROFIT BEFORE TAXATION		14,989,099	9,506,615
Taxation	37	(5,764,114)	(3,473,107)
PROFIT FOR THE YEAR		9,224,985	6,033,508
Attributable to:			
- Equity holders of the Holding Company		8,956,848	6,455,337
- Non controlling interest		268,137	(421,829)
		9,224,985	6,033,508
Earnings per share - basic and diluted (Rupees)	38	6.95	6.23

The annexed notes, from 1 to 44, form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
PROFIT FOR THE YEAR		9,224,985	6,033,508
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of a joint venture		457,678	688,754
Exchange difference on translation of an associate		21,983	19,919
		479,661	708,673
(Loss) / surplus on revaluation of available-for-sale securities of an associate		(570,003)	837,018
Related deferred tax		85,500	(125,553)
(Loss) / surplus on revaluation of available for sale securities - net of tax		(484,503)	711,465
		(4,842)	1,420,138
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	11.4	(2,969)	45,028
Share of other comprehensive loss of an associate		-	-
		(2,969)	45,028
TOTAL COMPREHENSIVE INCOME		9,217,174	7,498,674
Attributable to:			
- Equity holders of the Holding Company		8,947,055	7,920,973
- Non controlling interest		270,119	(422,299)
		9,217,174	7,498,674

The annexed notes, from 1 to 44, form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital	Advance against issue of shares	Capital reserve	Statutory reserve	Reserves Translation reserve	Revaluation reserve on available-for-sale investments	Accumulated profit	Non-controlling interest	Total
	(Rupees '000)								
Balance as at January 01, 2020	9,341,100	-	228,350	1,329,299	2,866,785	(744,310)	(3,875,066)	1,582,983	10,729,141
Total comprehensive income									
Profit for the year	-	-	-	-	-	-	6,455,337	(421,829)	6,033,508
Other comprehensive income for the year	-	-	-	-	708,673	711,465	45,498	(470)	1,465,166
Total comprehensive income for the year	-	-	-	-	708,673	711,465	6,500,835	(422,299)	7,498,674
Transfer to statutory reserve	-	-	-	551,411	-	-	(551,411)	-	-
Advance against issue of shares	-	4,885,787	-	-	-	-	-	-	4,885,787
Transactions with owners recorded directly in equity									
Distributions to owners									
FPCL dividend 2020 (Rs. 3.1 per ordinary share)	-	-	-	-	-	-	-	(665,531)	(665,531)
Change in ownership interest									
Acquisition of non-controlling interest	-	-	-	-	-	-	(1,866,132)	1,866,132	-
Balance as at December 31, 2020	9,341,100	4,885,787	228,350	1,880,710	3,575,458	(32,845)	208,226	2,361,285	22,448,071
Balance as at January 01, 2021	9,341,100	4,885,787	228,350	1,880,710	3,575,458	(32,845)	208,226	2,361,285	22,448,071
Total comprehensive income									
Profit for the year	-	-	-	-	-	-	8,956,848	268,137	9,224,985
Other comprehensive income for the year	-	-	-	-	479,661	(484,503)	(4,951)	1,982	(7,811)
Total comprehensive income for the year	-	-	-	-	479,661	(484,503)	8,951,897	270,119	9,217,174
Transfer to statutory reserve	-	-	-	471,861	-	-	(471,861)	-	-
Advance against issue of shares	-	114,213	-	-	-	-	-	-	114,213
Issue of share capital	3,571,429	(5,000,000)	1,428,571	-	-	-	-	-	-
Transaction costs	-	-	(24,192)	-	-	-	-	-	(24,192)
Transactions with owners recorded directly in equity									
Distributions to owners									
FPCL dividend 2021 (Rs. 3.2 per ordinary share)	-	-	-	-	-	-	-	(686,156)	(686,156)
Change in ownership interest									
Cash injection by NCI of FFL	-	-	-	-	-	-	-	1,882,947	1,882,947
Transaction costs of FFL	-	-	-	-	-	-	-	(19,785)	(19,785)
Acquisition of non-controlling interest (note 3.1.1)	-	-	-	-	-	-	(572,375)	572,375	-
Balance as at December 31, 2021	12,912,529	-	1,632,729	2,352,571	4,055,119	(517,348)	8,115,887	4,380,785	32,932,272

The annexed notes, from 1 to 44, form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Cash Flows

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operating activities	39	31,999,985	39,094,631
Finance costs paid		(4,656,878)	(8,979,546)
Taxes paid		(3,783,002)	(1,141,740)
Payment to gratuity fund		(73,019)	(118,062)
Gratuity payment to employees		(13,506)	(1,709)
Compensated absences paid		(153,766)	(85,997)
Payment to Workers Welfare Fund		(12,550)	(5,628)
Payment to Workers' (Profit) Participation Fund		(965,400)	(200,422)
Net cash generated from operating activities		22,341,864	28,561,527
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures and advances		(634,558)	(1,513,995)
Intangible assets		(1,047)	(12,778)
Proceeds from sale of property, plant and equipment		168,686	218,217
Dividend received		2,059,466	1,079,116
Short term investments - net		(8,341,700)	9,409
Receipt from disposal of investment		5,256,007	384,253
Cash dividend on mutual funds		22,363	-
Profit received on bank balances and term deposits		1,350,469	749,158
Net cash (used in) / generated from investing activities		(120,314)	913,380
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loans - received		5,500,000	10,567,634
Short term loans - repaid		(10,027,828)	(6,426,327)
Lease liabilities		(106,987)	(207,234)
Cash injection NCI - right share		1,815,128	-
Advance against issue of shares		90,021	4,885,787
Short term borrowings - net		(2,021,013)	(10,050,004)
Dividend paid		(686,296)	(667,164)
Net cash used in financing activities		(5,436,975)	(1,897,308)
Net increase in cash and cash equivalents		16,784,575	27,577,599
Cash and cash equivalents at the beginning of the year		11,673,800	(15,903,799)
Cash and cash equivalents at the end of the year	27.3	28,458,375	11,673,800

The annexed notes, from 1 to 44, form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

1 STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited group comprises of Fauji Fertilizer Bin Qasim Limited (FFBL / the Holding Company) and its subsidiaries, Fauji Meat Limited (FML), Fauji Foods Limited (FFL), and FFBL Power Company Limited (FPCL), collectively referred as "Group". The ultimate parent of FFBL is Fauji Foundation (FF).

FFBL is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 ("the Act") with effect from May 31, 2017). The shares of FFBL are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad, Pakistan. The principal objective of FFBL is manufacturing, purchasing and marketing of fertilizers. FFBL commenced its commercial production effective January 1, 2000.

Geographical location and addresses of major business units including plant of FFBL are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi	Manufacturing Plant

- 1.1** The Holding Company's Gas Supply Agreement (GSA) with Sui Southern Gas Company Limited (SSGCL) expired on December 31, 2020. The Economic Coordination Committee (ECC) in its meeting dated February 03, 2021, as ratified by Federal Cabinet on February 09, 2021, approved allocation of indigenous natural gas for next five years on "as and when available basis" at existing gas prices till December 31, 2021. The Holding Company's gas supply was resumed effective February 11, 2021 and a side letter was signed between FFBL and SSGCL to formalize arrangement regarding supply of gas and application of natural gas tariff till the signing of renewal of GSA. Government of Pakistan is in the process of finalizing uniform gas price across the fertilizer sector. Management remains confident that the formal addendum to GSA will be signed within due course.

- 1.2** Set out below is a list of subsidiaries of the Group:

Name	Principal place of Business	Note	Ownership in 2021	Ownership in 2020
Fauji Meat Limited (FML)	Pakistan		90.18%	90.18%
FFBL Power Company Limited (FPCL)	Pakistan		75.00%	75.00%
Fauji Foods Limited (FFL)	Pakistan		71.63%	67.50%
FFBL Foods Limited	Pakistan	1.3	-	100.00%

Fauji Meat Limited (FML), is a public limited company incorporated on September 05, 2013 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). The principal objective of FML is processing and marketing of meat products. FML commenced its operations with effect from April 02, 2016.

During the year, FML incurred loss for the year of Rs. 1,110,711 thousand (2020: loss Rs. 1,530,185 thousand) and as of December 31, 2021 its accumulated loss amount to Rs. 8,184,845 thousand (2020: Rs. 7,074,134 thousand), resulting in a negative equity of Rs. 549,845 thousand (2020: positive equity of Rs. 560,866 thousand). Further, as of December 31, 2021, the FML's current liabilities exceeds its current assets by Rs. 5,550,028 thousand (2020: Rs. 4,724,444 thousand). The accumulated loss is mainly due to underutilization of plant's capacity and various other business reasons. Significant curtailment of operations have occurred, upon cessation of export business during the previous year and shutdown of domestic retail outlets in current year (excluding one outlet which will be shut down in FY 2022), upon instruction of the Parent Company. These conditions and events indicate the existence of material uncertainty that may cause significant doubt on the FML's ability to continue as going concern, and therefore FML may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

During the year, the Parent Company has provided further sub-ordinated loan of Rs. 5,375,173 thousand (2020: Rs. 734,351 thousand) to enable the Company to settle all of its borrowing from the commercial banks. The Parent Company has communicated their intention to convert the sub-ordinated loan into share capital in FY 2022 resulting in positive equity. The Parent Company has also committed to provide further financing of Rs. 801 million thousand (2020: Rs. 734 million). The Parent Company has devised plan to curtail the operating cash outflows to minimum levels, required to execute a divestment, over time horizon adequate for successful identification of potential buyers and execution of sale. The Parent Company has also engaged external valuer to ascertain recoverable value of the FML's plant and property. The management of FML is keeping all options open to generate profitable business operations during 2022 and onwards. Management is confident that FML would be able to resume export business on advance or secure payment terms and expand local operations through franchising and own network and keep focus on tolling activity to absorb fixed costs with enhanced capacity utilization. Management has also devised plan to generate cash through early refund of its Sales tax refunds and is taking appropriate steps to recover outstanding trade receivables by engaging asset management and recovery companies. Based upon the above, the management has concluded that FML is a going concern and that its financial statements have accordingly been prepared on a going concern basis.

As of reporting date, the related Meat segment of the Group has a carrying value of Rs. 5,648,704 thousand (excluding intra-group loans). Refer to note 15.3 for information regarding recoverable values of meat segment's selected items of operating fixed assets.

Geographical location and addresses of major business units including plants of FML are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Deh Kohistan Chak No.1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta	Plant Site

FFBL Power Company Limited (FPCL), is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). FPCL has been established to build, own and operate a 118 MW coal based power generation facility at Port Qasim Karachi. FPCL achieved its financial close in December 2015 and Commercial Operation Date on May 19, 2017.

Geographical location and addresses of major business units including plants of FPCL are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Port Qasim	Power Generation Facility

Fauji Foods Limited (FFL) was incorporated in Pakistan on September 26, 1966 as a public company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products.

Consequent to acquisition of FFL by Fauji Group in year 2015, the management has taken various operational measures towards transformation of FFL that includes curtailment of higher input costs, increasing production scales to optimum levels by BMR - balancing, modernization and replacement of production facility (during the last five years), strengthening of milk collection and sales and distribution structures. The management has also taken various financial initiatives towards improvement of liquidity that included time to time raising of equity finance through right issue, arrangement of long term loan and working capital facilities to support working capital and capital expenditure requirements.

Growth's momentum picked up a strong pace during 2021 and trajectory shows a very encouraging trend. This growth provides a concrete foundation for the company to build its future. As a result current assets exceed current liabilities by Rs. 1,204.67 million, equity stands at positive amounting to Rs. 3,525.52 million and the operations are being financed through sponsor support / equity injection / bank borrowings.

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In the year 2021, FFL has shown recovery compared to 2020 with a topline growth of 16.5% and reduction of loss after tax by 59.27%. The Board of the Directors ("BOD") of FFL have approved the business plan for financial year 2022 that shows improvements in cash generation. FFL has also issued right shares during the year amounting to Rs. 7.8 billion against conversion of sponsor loan amounting to Rs. 5,925 million and remaining issue against cash to strengthen working capital requirement and meeting financial obligations.

The management and the Board considers that the measures as explained above would result in availability of adequate financial resources for the Company to sustain the continuity of its business operations for the foreseeable future and thus maintain its going concern status. Accordingly, its financial statements have been prepared on a going concern basis which assumes that FFL will continue to operate its business, realize its assets, and discharge its liabilities, in the normal course of business. As of reporting date, the related food segment of the Group has a carrying value of Rs. 2,314,964 thousand (excluding intra-group loans), including goodwill of Rs. 377,778 thousand, with market capitalization of Rs. 10,427,905 thousand (2020: Rs. 9,418,036 thousand).

Geographical location and addresses of major business units including plants of FFL are as under:

Location	Purpose
Lahore 42 CCA, Ex Park View, DHA Phase - VIII	Head Office
Bhalwal District Sargodha	Processing Unit

- 1.3** The Board of Directors of the Holding, in their meeting held on April 26, 2021, decided to amalgamate one of the Holding Company's wholly owned subsidiary, FFBL Foods Limited with the Holding Company. The scheme of amalgamation was prepared under the provisions of Section 284 of the Companies Act, 2017 and approved by the Board of Directors of the Holding Company in their meeting held on July 29, 2021. The effective date of the completion of scheme was September 30, 2021, which was approved by the Securities and Exchange Commission of Pakistan.

Pursuant to above-mentioned scheme of arrangement, the entire business of FFBL Foods Limited including its assets, liabilities and rights and obligations vested into the Holding Company while the shares of FFBL Foods Limited held by the Company stood cancelled.

FFBL Foods Limited was a wholly owned subsidiary, the amalgamation has no impact on the consolidated financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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 compensated absences, which are carried at the present value of the defined benefit obligations, net of fair value of related plan assets.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

The Holding Company based its assumptions and estimates on the parameters under which these financial statements were prepared.

Existing circumstances and assumptions about the future development may change due to market changes or circumstances arising that are beyond the control of the Holding Company. Such changes are reflected in the assumptions when they occur.

2.4.1 Staff gratuity (notes 3.2 and 11.4)

Defined benefit plan is provided for permanent employees of the Holding Company, FPCL and FFL. The plan of the Holding Company and FPCL is structured as a separate legal entities managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.2 Compensated absences (note 10.1)

Compensated absences is granted to all its permanent employees in accordance with the rules of the Group. Calculations in respect of unutilized privileged leaves accumulated as on April 30, 2021 require assumptions to be made of future outcomes, the principal ones being in respect of mortality rate, withdrawal rate, increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.3 Property, plant and equipment (note 3.4)

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

2.4.4 Capital spares (note 3.4)

The Group reviews the carrying amount of capital stores on an annual basis, and as appropriate, provision is made for obsolescence if there is any change in the usage pattern and physical form of related stores.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2.4.5 Provision for inventory obsolescence (notes 19 and 20)

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

2.4.6 Provision for expected credit losses of trade debts and other receivable (notes 21 and 24)

The Group, particularly FML and FFL, uses a provision matrixes to calculate ECLs for trade debts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade debts is disclosed in Note 41.2.

The Group's ECL calculation on subsidy receivable is outputs of probability weighted model (Multi-scenarios approach), under the general approach, with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Discounting estimated future cashflow and losses to the reporting date using a rate that approximates the Effective Interest Rate (EIR) of the asset (Time value of money). In the absence of EIR, interest free rate has been used in accordance with relevant accounting standard.
- Significant Increase in Credit Risk and classification within Stage 2 based on its overdue status minimized owing to exposure being toward sovereign entity.
- Selection of forward-looking multiple scenarios and their probability weightings, to calculate the amount of ECL.

The information about the ECLs on the Group's subsidy receivable is disclosed in Note 41.2.

Other receivable

The measurement of impairment losses under IFRS 9 for financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the Group's calculation of ECL that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there is a significant increase in credit risk and allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment; and
- Selection of forward-looking multiple scenarios and their probability weightings, to calculate the amount of ECL.

It is the Group's policy to regularly review its basis of calculations in the context of actual loss experience and adjust when necessary.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2.4.7 Taxation (note 37)

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

The Group recognizes deferred tax assets, to the extent it is probable that taxable profits and tax liability, as applicable, will be available against which the deductible temporary differences and tax credits can be utilized, based on its assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies while also keeping in view the provisions of Income Tax Ordinance, 2001 related to adjustment/ carry forward of the underlying temporary differences and tax credits, in subsequent years. This assessment is carried out at the level of each individual legal entity in the Group.

2.4.8 Contingencies (note 14)

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

2.4.9 Impairment of non-financial assets

The carrying amount of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any. Refer to note 15.3 for impairment assessment of items of property, plant and equipment.

2.4.10 Impairment of goodwill (note 16)

The carrying amount of the cash generating unit to which goodwill has been allocated is reviewed at each reporting date to determine whether there is any indication of impairment loss. If any indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

Judgements

In the process of applying Group's accounting policies, management has made the judgements, as mentioned below, which have most significant effects on the amounts recognized in the consolidated financial statements.

2.4.11 Disclosure related to IFRIC 4

As discussed in note 3.6, the Securities and Exchange Commission of Pakistan (SECP) has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly, the Group does not apply lease accounting to its agreement with K-Electric. It is, however, mandatory to disclose the financial effect of the exemption on each item in the financial statements that would have been reported in complying with the requirements of IFRS - 16. Accordingly, to estimate the impact, the Group has to determine classification of the lease (i.e. operating or finance) contained within arrangement, the interest rate inherent in the arrangement, net investment in lease, the useful lives of the plant and the impact of any shortfall in the capacity made available to the K-Electric, during the period, by the Group.

2.4.12 Selection of accounting policy for GIDC (note 10)

In the absence of any Standard that specifically applies to recognition, measurement and disclosure requirements for such a liability, the Company has used the guidance of paragraphs 10-11 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying an accounting policy for the liability for recognition, measurement, presentation and disclosure, that would result in information that is relevant, to the economic decision-making needs of users of financial statements, and reliable; which align with accounting policy applied to a financial liability.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2.4.13 Sales tax refundable (note 25)

Management has classified the whole of the amount of Sales tax refundable as current asset based on the assessment that either the amount will be refunded in the next year or related settlement of amounts due to Government, within next twelve months will include refund of Sales tax. Only significant impact of time value of money is recognized in the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently for all periods presented, unless otherwise stated.

3.1 Consolidated financial statements

The consolidated financial statements include the financial statements of FFBL and its subsidiary companies as mentioned in note 1.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred is generally measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain / (loss) on a bargain purchase is recognized in income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Impairment losses relating to goodwill cannot be reversed in future periods.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument is classified as equity, then it is not measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognized in profit or loss.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Any further purchase, which does not result in a loss of control is accounted for as an equity transaction and no further goodwill is recognized.

Non Controlling Interests (NCI)

NCI in subsidiaries are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control (known as a joint arrangement), whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

FFBL has an associate, Askari Bank Limited (AKBL), which is a banking company engaged in commercial banking and related services. The applicability of International Financial Reporting Standard 9 "Financial Instruments" and International Accounting Standard 40 "Investment Property" has been deferred for banking companies by the State Bank of Pakistan. Accordingly, equity accounting of AKBL is based on its unaudited financial information for the nine months period ended September 30, 2020, prepared under the accounting framework applicable to banking companies in Pakistan ("Banking Framework"). Further, revaluation reserve on AKBL's investments classified as available for sale securities under Banking Framework continue to be disclosed as Revaluation reserve on available for sale investments, net of tax, in the Group's consolidated financial statements.

Statutory reserve

It represents the Holding Company's proportionate share of reserve created by AKBL and Pakistan Maroc Phosphore S.A. (PMP), amounting to Rs. 253,412 thousand (2020: 1,691,182 thousand) and Rs. 2,099,159 thousand (2020: 189,528 thousand) respectively, under their respective regulatory requirements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and material unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Contingent liabilities recognized in business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

3.1.1 Acquisition of non-controlling interest

The Group's acquisition of additional non-controlling interest in FFL through subscription of right share, comprising of 592,500,000 shares, at par, resulted in a negative equity adjustment of Rs. 572,375 thousand.

3.2 Employees' retirement benefits

The Group has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

The Holding Company, FPCL, FML and FFL operate defined contributory provident funds for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund by the group and their employees at the rate of 10% of basic pay. The employees of the Holding Company have an option to deposit extra contribution, equivalent to 5% or 10% of basic pay, to the it's fund. Group's contribution is charged to income for the year.

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Gratuity Fund - Defined Benefit Scheme

The Holding Company, FPCL and FFL operate defined benefit gratuity schemes for all employees who complete the qualifying period of service and age. The Funds of the Holding Company and FPCL are administered by trustees. Contributions to the funds are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 11.4. Amounts determined by the actuary as charge for the year are included in the profit or loss for the year.

Remeasurement adjustments, including actuarial gains and losses arising from changes in demographic and financial assumptions and return on plan assets excluding amounts included in net interest on the net defined benefit liability, are charged or credited in other comprehensive income in the year in which they arise. Remeasurements are not reclassified to the statement of profit or loss in subsequent periods.

Compensated absences

The Holding Company, FPCL, FML and FFL grant compensated absences to all its employees in accordance with the rules of the Holding Company, FPCL, FML and FFL. Under these unfunded scheme, regular employees are entitled maximum 30 days privilege leaves for each completed year of service. Unutilized privilege leaves are accumulated up to a maximum of 120 days and 60 days, respectively, to the FPCL, FML and FFLs' employees which are encashable at the time of separation from service on the basis of last drawn gross salary.

Unutilized privileged leaves accumulated as on April 30, 2021 for the Holding Company are encashable at the time of separation from the service on the basis of last drawn gross salary. Unutilized privilege leaves available for a year (effective from May, 2021) lapse by end of next March and are encashable only upon separation of employee in the same year.

Provisions are made in accordance with the actuarial recommendation. Actuarial valuation, in respect of the Holding Company and FFLs' compensated absences, is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognized in the income for the year in which they arise.

During the year, the Holding Company has revised the policy for compensated absences. No further accumulation of annual leaves is allowed, however, annual leaves already accumulated (as on April 30, 2021) will be continued till the time these are consumed by the individual otherwise it will be encashed on current gross at the time of separation.

3.3 Taxation

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

Current

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

Deferred

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences such as the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments accounted in the consolidated financial statements by applying the equity method to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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

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entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

3.4 Property, plant and equipment and capital work in progress

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

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

Spare parts are classified as operating fixed assets rather than stores and spares when they meet the definition of property, plant and equipment.

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

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

Depreciation is calculated on the straight line method and charged to income to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15.1. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.5 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and impairment.

Maintenance and normal repairs are charged to the income and expenditure statement as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that the respective future economic benefits will flow to the Group. Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in income and expenditure statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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3.6 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

Lessees

Right of use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Lease Liability

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and leases of low-value assets

The Group applies the short term lease recognition exemption to its short term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lessors

Net investment in lease

Through S.R.O No. 986(I)/2019, dated September 02, 2019, the SECP, however, has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreements before 2019. Accordingly, the Group does not apply lease accounting to its agreement with K-Electric. It is, however, mandatory to disclose the financial effect of the exemption on each item in the consolidated financial statements that would have been reported in complying with the requirements of IFRS - 16.

During 2017, FFBL Power Company Limited (FPCL) achieved Commercial Operation Date (COD) on May 19, 2017. Under a Power Purchase Agreement (PPA), dated April 15, 2016, FPCL has agreed to provide, on an exclusive basis, 60,000 kWh electricity, with an 85% dependable capacity, for 30 years to K-Electric, from its Steam Turbine Generators at 50Hz. As a consideration, K-Electric is liable to pay Capacity Price and Energy Price.

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PPA conveys rights to K-Electric to use FPCL's specified Steam Turbine Generators. Under the waiver granted by SECP, however, the Group has elected to account for the transactions under PPA on an invoiced amount basis.

Under IFRS - 16, the consideration due from a lessee for the right to use the asset is to be accounted for as a net investment in the lease. Had the standard been applied, the following adjustments to the consolidated statement of profit or loss and the consolidated statement of financial position would have been made:

	2021	2020
	(Rupees '000)	
Increase in unappropriated profit at the beginning of the year	903,451	702,351
Increase in profit for the year	61,737	201,100
Increase in unappropriated profit at the end of the year	965,188	903,451

3.7 Intangibles

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

3.8 Borrowing costs

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

3.9 Impairment of non - financial assets

The carrying amounts of non-financial assets other than stock in trade, stores and spares and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

3.10 Stores and spares

These are valued at lower of weighted average cost and net realizable value less impairment. For items which are slow moving and / or identified as surplus to the Group's requirement, an adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores spares on regular basis and provision is made for obsolescence.

Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

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3.11 Stock in trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the reporting date less impairment, if any.

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 raw materials and related manufacturing expenses

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Contract balances

Contract assets and Contract liabilities

A contract asset is the right to consideration in exchange for goods transferred to the customer, when the right is conditioned on something other than the passage of time. Contract asset are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in note 3.13.

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related good. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer). The Group's contract liabilities consist of advances from customers.

Trade debt

A trade debt is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3.13.

3.13 Financial instruments

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade debts that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3.20 "Revenue recognition".

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade debts, deposits, interest accrued, loan and advances to employees, short term investments and other receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not carry debt instruments at fair value through OCI. In respect of securities held by AKBL refer to note 3.1.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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For the year ended December 31, 2021

The Group does not have any investment in equity instrument carried at fair value at OCI. In respect of securities held by AKBL refer to note 3.1.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Group's financial asset at fair value through profit or loss consists of its investment in mutual funds.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(d) Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

For trade debts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established provision matrixes that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Group's policy to measure ECLs on investment at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in note 41.2.

- Trade debts (note 21)
- Other receivables (note 24)

Financial liability

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short term financing, accrued mark-up, lease liability (refer note 3.6 for related accounting policy), unpaid and unclaimed dividend payable and short term borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Notes to the Consolidated Financial Statements

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Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Group 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.

3.14 Trade and other payables

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

3.15 Cash and cash equivalents

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

3.16 Mark-up bearing borrowings

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

3.17 Provisions

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

3.18 Dividends

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

3.19 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates on the dates of the transactions.

Notes to the Consolidated Financial Statements

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Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes off only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.20 Revenue recognition

Fertilizer segment

The Holding Company is in the business of manufacturing of fertilizer products. Revenue from contract with customer is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled for those goods. The Holding Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer through FFC, a related party, generally on the dispatch of the goods to the customer except for direct sales, wherein the control is transferred upon delivery to customer. The Holding Company's credit sales normally carry credit term of 30 days to 180 days and is secured against bank guarantee. The Holding Company's remaining sales are against advance payment by its customers.

In determining the transaction price for the sale of fertilizer, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer, if any.

(i) Post-sales incentives

These post-sales incentives are based on monthly volume of purchases made by individual customers and is settled in cash, within 30 days of the month to which it relates to. Accordingly, no estimation uncertainty arises and the amount of payable is set off against the related trade debts.

(ii) Financing component

The Company allows credit period of 30 days to 180 days to its certain customers, for the sale of fertilizer, against a credit charge determined based upon volume of sales and period of credit. There is a financing component for these contracts considering the prevailing interest rate in the market.

Power segment

FPCL signed its PPA with K - Electric on July 04, 2018. Under the PPA, FPCL is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA.

Revenue from sale of electricity is recognized when or as FPCL satisfies performance obligation by transferring a promised good to a customer. A good is transferred when the customer obtains control of that good. FPCL principally satisfies its performance obligation in respect of supply of electricity upon transmission of electricity to K - Electric .

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PPA also contains other performance obligations i.e. insurance and operation & maintenance.

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the FPCL satisfies a performance obligation by transferring a promised good to the customer. The good is transferred when the customer obtains control of that good. The FPCL principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA. Consideration for operating phase of the PPA i.e. insurance and fixed O&M component of tariff is billed to customers as part of capacity purchase price whereas variable O&M component is billed to customers as part of energy purchase price. The amount of revenue recognized in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

Meat segment

FML is in the business of sale of meat. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which FML expects to be entitled in exchange for those goods. FML has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts, if any. Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. FML also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates).

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies are as follows:

(i) Ex-Site - The FML's performance obligation is to deliver the goods to the customers' premises i.e., FML bears the related freight and insurance expense for transportation and the control of the goods is transferred to the customer at the point in time where goods are delivered to customers, which is the point in time where performance obligation of the contract is met.

The normal credit term is generally 30 days under both of the above selling terms of the contract.

The income from commercial slaughtering has been presented on net basis.

Food segment

Revenue represents the fair value of consideration received or receivable for sale of goods, net of sales tax, sales returns and related discounts and commissions. Revenue is recognized when or as performance obligation is satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or point in time.

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognized when they are earned.

3.21 Basis of allocation of common expenses

Fauji Fertilizer Company Limited proportionately allocates common selling and distribution expenses, being the costs incurred and for services rendered on behalf of the Holding Company, under an inter-company services agreement.

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 segments' operating results are reviewed regularly by the Chief Executive and Managing Director

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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 Chief Executive and Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group has the following four (4) business segments, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable Segment	Operations
Fertilizer	Production and sale of UREA and DAP.
Power	Generation and supply of electricity.
Meat	Meat abattoir unit for halal slaughtering of animals to obtain meat for local and export sale.
Food	Processing and sale of tea creamer, toned milk, milk powder, fruit juices, allied dairy and food products.

3.23 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Group:

Standard and IFRIC	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2023
IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by: - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	January 01, 2023

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Standard and IFRIC		Effective date (annual periods beginning on or after)
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Group expects that the adoption of the above standards and amendments will have no material effect on the Group's consolidated financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
IFRS 16	Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
IAS 41	Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Group expects that the adoption of the above standards will have no material effect on the Group's consolidated financial statements, in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The Group expects that the adoption of the above standards will have no material effect on the Group's consolidated financial statements, in the period of initial application.

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3.24 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for new standards, interpretation and amendments to following standards as described below:

IFRS 7 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the consolidated financial statement.

		2021 (Rupees '000)	2020
4	SHARE CAPITAL		
4.1	AUTHORIZED SHARE CAPITAL		
	1,500,000,000 (2020: 1,500,000,000) Ordinary shares of Rs. 10 each	15,000,000	15,000,000
4.2	ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
	1,291,252,857 (2020: 934,110,000) Ordinary shares of Rs. 10 each issued for cash	12,912,529	9,341,100
4.3	Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 465,891,896 and 170,842,386 (2020: 644,018,629 and 236,161,393) ordinary shares respectively of the Holding Company at the year end.		

Pursuant to an agreement dated October 16, 2016, FFCL has agreed to issue to FF, irrevocable proxies to allow FF to vote on behalf of FFCL in all general meetings. Further, FFCL has also given an undertaking that the representative of FF to be elected or co-opted or appointed on the Board of the Holding Company, shall be nominated by FF.

5 ADVANCE AGAINST ISSUE OF SHARES

Pursuant to the decision of the Board of Directors in their meeting held on October 06, 2020, the Holding Company commenced the process for a right issue of shares in the aggregate amount of Rs. 4,999,999,998 divided into 357,142,857 Ordinary shares (i.e. 38.2335% of previously existing Ordinary shares of Rs. 10 per share) at Rs. 14 per share. As at December 31, 2020, the Holding Company had received an amount of Rs. 4,885,787,494, whilst the balance amount of Rs. 114,212,504 remained unsubscribed (i.e. amounting to 8,158,036 shares), which have been allotted to the underwriters in respective proportion, pursuant to the Board of Directors decision in their meeting held on January 04, 2021. During the year, the Holding Company has issued the respective shares upon fulfilling all regulatory requirements.

	Note	2021 (Rupees '000)	2020
6	CAPITAL RESERVE		
	Share premium against issuance of shares in 1996	6.1	228,350
	Share premium against issuance of shares in 2021		228,350
	Gross premium	6.2	1,428,571
	Utilization against transaction cost of issuance	6.3	(24,192)
		1,404,379	-
		1,632,729	228,350

6.1 This represents share premium of Rs. 5 per share received on the public issue of 45,670 thousand ordinary shares in 1996. This can only be utilized for the purposes mentioned in section 81 of the Companies Act, 2017.

6.2 During the year 2021, upon allotment of 357,143 thousand right shares an amount of Rs. 1,428,571 thousand has been transferred to capital reserve at a premium of Rs. 4 per share. This can only be utilized for the purposes mentioned in section 81 of the Companies Act, 2017.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

- 6.3** During the year, the Company has utilized reserve of Rs. 24,192 thousand against transaction cost of shares issued during the year (refer note 4.3), in accordance with section 81 of the Companies Act, 2017.

7 NON-CONTROLLING INTEREST (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI, before any intra-group eliminations.

	2021			
	FFBL Power Company Limited	Fauji Meat Limited	Fauji Foods Limited*	Total
NCI percentage	25%	9.82%	28.37%	
	(Rupees '000)			
Non-current assets	25,291,087	5,529,566	7,046,395	37,867,048
Current assets	12,700,962	866,022	5,652,216	19,219,200
Non-current liabilities	(11,796,677)	(529,383)	(6,289,058)	(18,615,118)
Current liabilities	(10,654,511)	(6,416,050)	(4,472,359)	(21,542,920)
Net assets / (liabilities)	15,540,861	(549,845)	1,937,194	16,928,210
Net assets attributable to NCI	3,885,215	(54,012)	549,582	4,380,785
Revenue	20,722,080	99,445	8,586,396	29,407,921
Profit / (loss) for the year	3,636,379	(1,110,711)	(1,637,349)	888,319
Other comprehensive income / (loss)	(2,659)	-	9,331	6,672
Total comprehensive income / (loss)	3,633,720	(1,110,711)	(1,628,018)	894,991
Profit / (loss) allocated to NCI	909,095	(109,107)	(531,851)	268,137
Other comprehensive income allocated to NCI	(665)	-	2,647	1,982
	908,430	(109,107)	(529,204)	270,119
Cash flows from operating activities	1,425,295	(595,643)	(381,083)	448,569
Cash flows from investing activities	(213,445)	1,409	105,945	(106,091)
Cash flows from financing activities	(4,867,373)	4,161,641	1,201,499	495,767
Net (decrease) / increase in cash and cash equivalents	(3,655,523)	3,567,407	926,361	838,245

* 28.37% represents the effective interest of NCI in FFL, as at reporting date.

	2020			
	FFBL Power Company Limited	Fauji Meat Limited	Fauji Foods Limited*	Total
NCI percentage	25%	9.82%	32.50%	
	(Rupees '000)			
Non-current assets	26,224,141	5,978,860	7,504,916	39,707,917
Current assets	8,362,587	811,158	4,156,134	13,329,879
Non-current liabilities	(13,935,157)	(714,714)	(6,471,256)	(21,121,127)
Current liabilities	(5,999,805)	(5,514,438)	(9,364,414)	(20,878,657)
Net assets / (liabilities)	14,651,766	560,866	(4,174,620)	11,038,012
Net assets attributable to NCI	3,662,942	55,095	(1,356,752)	2,361,285
Revenue	16,643,650	427,850	7,373,162	24,444,662
Profit / (loss) for the year	3,807,719	(1,530,185)	(2,874,193)	(596,659)
Other comprehensive income	(3,242)	-	1,049	(2,193)
Total comprehensive income	3,804,477	(1,530,185)	(2,873,144)	(598,852)
Profit / (loss) allocated to NCI	951,930	(150,313)	(1,223,446)	(421,829)
Other comprehensive income allocated to NCI	(811)	-	341	(470)
	951,119	(150,313)	(1,223,105)	(422,299)
Cash flows from operating activities	5,915,549	(696,809)	(321,559)	4,897,181
Cash flows from investing activities	(603,831)	10,809	(67,252)	(660,274)
Cash flows from financing activities	(4,297,842)	568,479	4,659,344	929,981
Net increase / (decrease) in cash and cash equivalents	1,013,876	(117,521)	4,270,533	5,166,888

* 32.50% represents the effective interest of NCI in FFL, as at reporting date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

- 7.1** During the year, FPCL declared an interim dividend at the rate of Rs. 3.2 per share (2020: 3.1 per share). Accordingly, an amount of Rs. 686,156 thousand (2020: Rs. 665,531 thousand) has been disbursed to Fauji Foundation, a related party.

	Note	2021 (Rupees '000)	2020
8 LONG TERM LOANS			
Fauji Fertilizer Bin Qasim Limited (FFBL)	8.1	20,925,006	22,241,668
Fauji Meat Limited (FML)	8.2	-	959,442
FFBL Power Company Limited (FPCL)	8.3	13,679,456	15,802,204
Fauji Foods Limited (FFL)	8.4	6,038,607	6,167,583
		40,643,069	45,170,897
Less: Unamortized transaction cost			
Opening balance		136,278	178,745
Less: Amortization during the year	33	(37,602)	(42,467)
Closing balance		98,676	136,278
		40,544,393	45,034,619
Less: Current portion shown under current liabilities			
Fauji Fertilizer Bin Qasim Limited (FFBL)		(4,691,661)	(6,816,662)
Fauji Meat Limited (FML)		-	(959,442)
FFBL Power Company Limited (FPCL)		(2,286,186)	(2,122,778)
Fauji Foods Limited (FFL)		(50,458)	(50,458)
		(7,028,305)	(9,949,340)
		33,516,088	35,085,279
8.1 Loans from banking companies - secured (FFBL)			
Related party			
Askari Bank Limited	8.1.1	250,000	416,667
Others			
Habib Bank Limited		3,225,006	4,116,667
United Bank Limited		1,500,000	666,667
National Bank of Pakistan		666,667	1,333,334
MCB Bank Limited		7,500,000	10,250,000
Allied Bank Limited		7,783,333	5,125,000
Bank Al-Habib Limited		-	333,333
		20,675,006	21,825,001
		20,925,006	22,241,668
Accrued interest on long term loans		185,080	175,195
		21,110,086	22,416,863
Less: Current portion shown under current liabilities		(4,691,661)	(6,816,662)
Less: Accrued interest on long term loans		(185,080)	(175,195)
		16,233,345	15,425,006

- 8.1.1** The Holding Company has obtained a secured long term facility from Askari Bank Limited, a related party, for the purpose of Balance Sheet re-profiling.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

8.1.2 Terms and conditions of these loans are as follows:

Lenders	Markup Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Askari Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	September, 2020	March, 2023
Habib Bank Limited	0.50	08 Quarterly	January, 2021*	October, 2022
	3 Month KIBOR + 0.60	12 Quarterly	January, 2023**	October, 2025
United Bank Limited	3 Month KIBOR + 0.58	12 Quarterly	October 2023	September 2026
National Bank of Pakistan	3 Month KIBOR + 0.50	12 Quarterly	March, 2020	December, 2022
MCB Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	July, 2020**	April, 2023
	3 Month KIBOR + 0.50	12 Quarterly	June, 2021**	March, 2024
	3 Month KIBOR + 0.50	16 Quarterly	January, 2024**	January, 2028
Allied Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	June, 2021**	December, 2023
	3 Month KIBOR + 0.50	12 Quarterly	September 2020	June, 2023
	6 Month KIBOR + 0.50	6 Half Yearly	December 2022**	June, 2025
	3 Month KIBOR + 0.50	12 Quarterly	April 2023**	April 2026
	3 Month KIBOR + 0.50	12 Quarterly	September 2023**	September 2026

These are secured against ranking charges over fixed and current assets of the Company and carry mark-up at rates ranging from 8.21% to 8.62% per annum (2020: 7.75% to 8.78% per annum).

* This represents salary finance under SBP refinance scheme to support employment and prevent layoff of workers.

** During the year, the Holding Company negotiated better markup rates on these short term loans. The related impact of changes in applicable spreads is not significant to the consolidated financial statements and accordingly has not been accounted in these consolidated financial statements.

	2021	2020
	(Rupees '000)	
8.2 Loans from banking companies - secured (FML)		
MCB Bank Limited	-	208,333
Habib Bank Limited	-	291,667
Al-Baraka Bank (Pakistan) Limited	-	166,667
Dubai Islamic Bank (Pakistan) Limited - facility I	-	83,333
Dubai Islamic Bank (Pakistan) Limited - facility II	-	166,667
JS Bank Limited	-	42,775
	-	959,442
Less: Current portion shown under current liabilities	-	(959,442)
	-	-

During the year, FML has successfully repaid all its obligations under long term financing.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
8.3	Loans from banking companies - secured (FPCL)		
	Commercial facilities		
	National Bank of Pakistan	2,459,049	2,823,501
	United Bank Limited	682,638	783,811
	Bank Alfalah Limited	1,551,451	1,781,388
	Soneri Bank Limited	620,580	712,556
	The Bank of Punjab	620,580	712,556
	MCB Bank Limited	930,921	1,068,850
		6,865,219	7,882,662
	Islamic facilities		
	National Bank of Pakistan	620,580	712,556
	Habib Bank Limited	2,172,031	2,493,943
	United Bank Limited	682,638	783,811
	Dubai Islamic Bank (Pakistan) Limited	930,870	1,068,833
	Meezan Bank Limited	930,870	1,068,833
	Faysal Bank Limited	744,696	855,066
	Sindh Bank Limited	620,580	712,556
		6,702,265	7,695,598
	Total syndicate facility	8.3.1 13,567,484	15,578,260
	Allied Bank Limited	8.3.4 111,972	223,944
	Total outstanding	13,679,456	15,802,204
	Accrued markup	595	717
		13,680,051	15,802,921
	Less:		
	Current portion of short term finance facilities	(2,286,186)	(2,122,778)
	Unamortised transaction cost of short term finance facilities	(98,676)	(136,278)
	Accrued markup	(595)	(717)
		11,294,594	13,543,148

8.3.1 FPCL has entered into long term finance facilities under commercial facility of Rs. 11,062.5 million and musharika facility of Rs. 10,800 million with various banks, at a mark-up rate of 3 months KIBOR plus 1.75% per annum. The mark-up is payable on quarterly basis. Any delay in payments to banks by FPCL is subject to liquidated damages at the rate of applicable mark-up rate plus 2% per annum. The loan is repayable in 40 quarterly installments, commencing from 30 June 2017.

8.3.2 Facilities mentioned above are secured by way of, inter alia:

- (a) First ranking pari passu charge up to Rs. 29,150 million by way of hypothecation on all present and future moveable and immovable fixed assets (other than land and building) of FPCL;
- (b) Equitable mortgage over land and building will be created and perfected within 6 months of facility effective date;
- (c) First pari passu hypothecation charge on all present and future current assets of FPCL (excluding all present and future fuel stock and inventories and any charge over any accounts of FPCL opened in relation to working capital or any accounts currently opened by FPCL with other banks for the purposes of the letter of credit issuance);
- (d) An assignment of assigned project receivables from K-Electric and FFBL in favour of financiers;
- (e) An assignment over the FPCL's present and future rights and benefits under all material projects agreements and any amendment thereto and any performance guarantees and warranties issued under these agreements;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

- (f) Lien on all project accounts opened with various banks;
- (g) An assignment of all insurances as co-loss payee or assignee;
- (h) Share representing 100% of the paid up share capital of FPCL have been pledged, by the Holding Company and FF, till achievement of commercial operation date and thereafter shares not exceeding 51% of the paid up capital shall be pledged.
- (i) Undertaking by the Holding Company to fund the following:
 - i. Uncapped support to fund any payment shortfall i.e. amount less than the required finance payment balance up to technical completion date and thereafter up to financing service cap i.e. up to Rs 8,000 million till project completion date;
 - ii. In case of event of default and termination before technical completion date uncapped support to fund the payment of the outstanding secured obligations as defined in common term agreement;
 - iii. Sponsor shall fund 25% of the project costs inclusive of budgeted contingencies, (approx. USD 66.25 million).

8.3.3 Significant covenants of above facility are as follows:

- Maintenance of financing service coverage ratio (FSCR), current ratio, financing to equity ratio, financing life coverage ratio and forecast FSCR;
- Restriction on disposal of assets;
- Restriction on modification or amendment in any key project contract;
- Restriction on transfer or allotment of new shares;
- Restriction on incurring any new financial indebtedness;
- Restriction on declaration of dividend; and
- Restriction on creation of further charge on FPCL's assets.

Further covenants under this loan relate to the operations of FPCL.

8.3.4 This represents salary finance under SBP refinance scheme amounting to Rs. 262 million. This loan was disbursed in two tranches. In the first tranche, amount disbursed amounted to Rs. 119.628 million at a rate of 0.5% per annum and Rs. 103.32 million were disbursed at a rate of 0.35% per annum in the second tranche. The loan and its mark-up are repayable in 8 quarterly installments, commencing from January 31, 2021.

		2021	2020	
		(Rupees '000)		
8.4	Loans from banking companies - secured (FFL)			
	Syndicate Finance Facility	8.4.1	5,988,149	6,066,667
	Salary Refinance Facility	8.4.2	50,458	100,916
			6,038,607	6,167,583
	Less: Current portion shown under current liabilities		(50,458)	(50,458)
			5,988,149	6,117,125

8.4.1 A syndicate finance facility is jointly led by Faysal Bank Limited, National Bank of Pakistan, MCB bank limited and Allied Bank limited and participated by Askari Bank limited, Alfalah Bank limited, Soneri Bank limited, Dubai Islamic Bank limited whereby the outstanding exposure of all the banks was restructured into long term and short term exposure on prorata basis. The restructuring was done under the State Bank of Pakistan's circular No. BPRD Circular Letter No. 13 of 2020 dated March 26, 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

The bank wise exposure of participant and lead banks after restructuring and clubbed as on is as follows:

Bank Name	Facility	2021	2020
(Rupees '000)			
Allied Bank Limited	Term Finance	568,027	646,544
National Bank of Pakistan	Term Finance	941,977	941,977
MCB Bank Limited	Demand Finance	1,084,158	1,084,158
Faysal Bank Limited	Term Finance	1,733,459	1,733,459
Askari Bank Limited*	Term Finance	396,544	396,544
Alfalalah Bank Limited	Term Finance	247,840	247,840
Soneri Bank Limited	Demand Finance	495,680	495,680
JS Bank limited	Term Finance	247,840	247,840
Dubai Islamic Bank Limited	Term Finance	272,624	272,624

The syndicate finance facility is secured by way of pari passu charge amounting to PKR 8,089 Million inclusive of 25% margin on fixed assets along with mortgage by constructive deposit of title deeds of property / land measuring 120 kanals and building thereon situated in Mauza Purana Bhalwal, Tehsil Bhalwal, District Sargodha in favour of security agent (i.e. Faysal bank limited). The syndicate finance facility is additionally secured through sponsor support in the form of Stand by letter of credit amounting to PKR 1,000 Million from Askari Bank Limited and a revolving corporate guarantee.

All these facilities have been clubbed under Master Finance Agreement executed on 21 December 2020 which became effective from 01 August 2020.

* FFL has obtained a secured long term facility from Askari Bank Limited, a related party, for the purpose of Balance Sheet re-profiling.

8.4.2 FFL availed a salary refinance facility under SBP refinance scheme from JS Bank Limited. The facility is repaid in 8 equal quarterly installments starting from January 2021. The facility is priced at 3% and secured against a charge on current and fixed assets at a margin of 25%.

		2021	2020
		(Rupees '000)	
	Note		
9	LEASE LIABILITIES		
<i>Fauji Foods Limited</i>	9.1		
Leased vehicles - secured		1,011	15,704
Leased machinery - unsecured		104,013	132,400
Leased building - unsecured		85,967	106,626
	9.2	190,991	254,730
<i>Fauji Meat Limited</i>			
Leased retail outlets - unsecured	9.3	32,574	201,049
		223,565	455,779
Current maturity presented under current liabilities		(67,162)	(76,490)
		156,403	379,289

9.1 FFL has entered into lease agreements with different commercial banks for vehicles, with a supplier for filling machines in prior years and with a landlord for building during the year. The rentals under these agreements are repayable in 24 to 60 monthly and quarterly installments. The minimum lease payments have been discounted at an implicit interest rate of 8.2% to 13.59% (2020: 7.56% to 14.39%) per annum to arrive at their present value. At the end of the respective lease term, the assets, other than building, shall be transferred in the name of FFL. Taxes, repairs and insurance costs are to be borne by the FFL. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

The amount of future payments and the period in which they will become due are:

		2021		Total
		Upto one year	From one to five year (Rupees '000)	
Note				
9.1.1	Leased Vehicles - secured			
	Minimum lease payments	1,979	-	1,979
	Less: finance costs allocated to future periods	(153)	-	(153)
		1,826	-	1,826
	Less: security deposits adjustable on expiry of lease terms	(815)	-	(815)
		1,011	-	1,011
9.1.2	Leased machinery - unsecured			
	Minimum lease payments	44,032	80,857	124,889
	Less: finance costs allocated to future periods	(11,628)	(9,248)	(20,876)
		32,404	71,609	104,013
9.1.3	Leased building - unsecured			
	Minimum lease payments	38,710	64,730	103,440
	Less: finance costs allocated to future periods	(10,322)	(7,151)	(17,473)
		28,388	57,579	85,967
	Present value of minimum lease payments	61,803	129,188	190,991
9.2	This includes amount of Rs. 1.01 million (2020: Rs. 15.70 million) payable to AKBL, a related party.			
		2020		Total
		Upto one year	From one to five years (Rupees '000)	
a)	Leased Vehicles - secured			
	Minimum lease payments	14,930	6,902	21,832
	Less: finance costs allocated to future periods	(399)	(31)	(430)
		14,531	6,871	21,402
	Less: security deposits adjustable on expiry of lease terms	-	(5,698)	(5,698)
		14,531	1,173	15,704
b)	Leased Machinery - unsecured			
	Minimum lease payments	44,032	124,758	168,790
	Less: finance costs allocated to future periods	(15,561)	(20,829)	(36,390)
		28,471	103,929	132,400
c)	Leased building - unsecured			
	Minimum lease payments	34,373	98,459	132,832
	Less: finance costs allocated to future periods	(10,044)	(16,162)	(26,206)
		24,329	82,297	106,626
	Present value of minimum lease payments	67,331	187,399	254,730

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

- 9.3** FML has entered into lease agreements with different landlords for Zabeeha retail outlets, in different cities of Pakistan. The minimum lease payments have been discounted at an implicit interest rate of 14.88% (2020: 14.88%) per annum to arrive at their present value.

The amount of future payments and the period in which they will become due are:

		2021		
		Upto one year	Above 1 year	Total
		(Rupees '000)		
9.3.1	Leased retail outlets - unsecured			
	Minimum lease payments	5,359	54,038	59,397
	Less: finance costs allocated to future periods	(4,817)	(22,006)	(26,823)
	Present value of minimum lease payments	542	32,032	32,574
		2020		
		Upto one year	Above 1 year	Total
		(Rupees '000)		

Leased retail outlets - unsecured

Minimum lease payments	33,918	331,933	365,851
Less: finance costs allocated to future periods	(24,759)	(140,043)	(164,802)
Present value of minimum lease payments	9,159	191,890	201,049

		2021	2020
		(Rupees '000)	
9.4	Amounts recognized in the profit or loss		
	Interest on lease liabilities	43,314	83,530
	Depreciation	45,253	65,071
		88,567	148,601

- 9.5** During the year, FFL has disposed off its leased vehicles having book value of Rs. 14,114 (2020: Rs. 38,441 thousand) and FML has terminated its lease agreement having book value of Rs. 136,943 (2020: Rs. 118,571 thousand). (Refer note 15 for relevant adjustments to right of use assets). For information regarding cash flows refer to Statement of Cash Flows.

		2021	2020
		(Rupees '000)	
10	DEFERRED LIABILITIES		
	Compensated leave absences	685,082	642,377
	Deferred tax - net	4,165,185	4,604,618
	Payable against GIDC	7,818,752	12,148,374
		12,669,019	17,395,369
10.1	Compensated leave absences		
	The movement in the present value of compensated absences is as follows:		
	Opening balance	642,377	681,824
	Expense for the year	196,471	46,550
	Benefits paid during the year	(153,766)	(85,997)
	Closing balance	685,082	642,377

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
The main assumptions used for actuarial valuation for FFBL are as follows:		
Discount rate - per annum	10.25%	11.25%
Expected rate of increase in salaries - per annum	12.25%	10.25%
Mortality table	SLIC (2001-2005)	SLIC (2001-2005)
Withdrawal factor	Low	Low
The main assumptions used for actuarial valuation for FFL are as follows:		
Discount Rate	10.50%	10.00%
Expected rate of salary growth	9.50%	10.00%
Mortality rate	SLIC (2001-2005)	SLIC (2001-2005)
Leave accumulation factor (average) - days	9	10

	2021	2020
Note	(Rupees '000)	
10.2 The balance of deferred tax is in respect of the following major taxable / (deductible) temporary differences:		
Accelerated depreciation	3,015,798	2,968,050
Share of profit of associates and joint venture	1,621,591	1,468,072
Share of profit of subsidiary	1,043,004	909,640
Remeasurement gain on GIDC	431,236	794,848
Provision for inventory obsolescence	(116,245)	(158,012)
Provision for doubtful other receivables	(351,176)	(124,396)
Deferred tax on revaluation of available-for-sale investments	(102,277)	(16,777)
Provision against allowance	(321,110)	(206,929)
Minimum tax	10.2.1 (136,358)	(15,924)
Unabsorbed losses, tax credits and others	10.2.1 (919,278)	(1,013,954)
	4,165,185	4,604,618

10.2.1 As a matter of prudence, the Holding Company has not recognized deferred tax asset against tax credit available for minimum tax u/s 113 of Income Tax Ordinance 2001, amounting to Rs. Nil (2020: Rs. 2,640,639 thousand) and impairment of Rs. 7,705,000 thousand (2020: Rs. 5,602,212 thousand). The impairment charge is adjustable against available capital gain upon disposal of similar equity investments and such losses can be carried forward for further six years.

The aggregate unused tax losses and tax credits available to FFL for set off against future taxable profit as at December 31, 2021 amount to Rs. 20,179,410 thousand (2020: Rs. 18,080,920 thousand) and Rs. 136,360 thousand (2020: Rs. 14,320 thousand) respectively. Of these, deferred tax assets on unused tax losses and minimum tax credits amounting to Rs. 3,983,320 thousand (2020: Rs. 2,722,090 thousand) and Rs. 136,360 thousand (2020: Rs. 14,320 thousand) respectively have been recognized.

The aggregate unabsorbed tax depreciation and business losses available to FML for set off against future taxable profit as at December 31, 2021 amount to Rs. 3,820,438 thousand (2020: Rs. 3,487,032 thousand) and Rs. 4,690,353 thousand (2020: Rs. 3,970,451 thousand), respectively. Due to uncertainty of availability of future profits, deferred tax assets on unabsorbed tax depreciation and business losses amounting to Rs. 987,924 thousand (2020: Rs. 616,973 thousand) and Rs. 4,690,353 thousand (2020: Rs. 3,970,451 thousand), respectively, have not been recognized.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
10.2.2 The movement of deferred tax during the current year is as follows:			
Opening balance		4,604,618	2,959,428
Deferred tax on revaluation of available-for-sale investments -			
Other comprehensive income		(85,500)	125,553
(Income) / charge for the year	37	(353,933)	1,519,637
		4,165,185	4,604,618
10.3 Payable against GIDC			
Opening balance		19,592,989	-
Gas Infrastructure Development Cess			
(transfer from trade and other payables)	10.3.1	-	22,333,844
Remeasurement gain on GIDC		-	(3,300,548)
Unwinding of GIDC		1,253,839	559,693
		20,846,828	19,592,989
Current portion of GIDC	11	(13,028,076)	(7,444,615)
		7,818,752	12,148,374

10.3.1 This represents amount payable on account of Gas Infrastructure Development Cess (GIDC) under Gas Infrastructure Development Cess Act, 2015 (GIDC Act) up to July 31, 2020. The holding Company along with other industrial gas consumers had previously challenged the GIDC Act on constitutional grounds. During the prior year, the Honorable Supreme Court of Pakistan (SCP) in its judgement dated August 13, 2020 declared GIDC Act as valid legislation. A review petition for factual determination had been filed before the SCP, which upheld the original judgement. During the proceedings, the Additional Attorney General of Pakistan has stated that the Government is "agreeable" to recover the obligation in 48 equal monthly installments instead of 24 installments, but the Government may also be granted one years-time instead of 6 month in meeting its obligations to commence work on the laying of the North-South pipeline project. Accordingly, the holding Company recognized this liability at its level 3 fair value of Rs. 19,592,989 thousand, in accordance with accounting policy disclosed in note 3.13 applied by analogy; resulting in a remeasurement gain of Rs. 3,300,548 thousand, being the difference between previously recognized provision and fair value of restructured liability calculated by applying discount rate ranging between 7.19% to 8.93%, recognized in statement of profit or loss. The fair value of liability approximates to Rs. 20,327,438 thousand (2020: approximates the carrying value) as of reporting date.

The holding Company had previously obtained stay from the Honorable Sindh High Court (SHC) against payment of GIDC, on September 22, 2020. Management has determined, based on advice of the legal advisor, that this stay remains valid till its disposal by Sindh High Court; which is pending adjudication. Accordingly, the Company has not recognized any late payment surcharge in respect of non-payment of GIDC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	(Rupees '000)	
11	TRADE AND OTHER PAYABLES		
Creditors	11.1	27,194,489	10,278,020
Payable against GIDC	10.3	13,028,076	7,444,615
Accrued liabilities	11.2	6,121,059	4,035,824
Workers' (Profit) Participation Fund - unsecured	11.3	137,980	280,830
Payable to Gratuity Fund / Scheme - unsecured	11.4	271,085	263,360
Workers' Welfare Fund		1,051,034	607,675
Security deposits	11.5	51,329	55,546
Provident Fund		14,366	8,446
Withholding tax payable		99,679	67,526
Sales tax payable		9,928	240,488
Other payables		564,177	515,444
		48,543,202	23,797,774

11.1 Creditors include payables to related party amounting to Rs. 24,004,647 thousand (2020: Rs. 5,890,871 thousand) against purchase of raw material. The Holding Company purchases raw material for use in production of fertilizer from Pakistan Maroc Phosphore S.A. (PMP) at discounted price, with a credit limit of 75 days.

11.2 This includes a provision against constructive obligation amounting to Rs. 287,500 thousand (2020: Rs. Nil).

		2021	2020
	Note	(Rupees '000)	
11.3	Workers' (Profit) Participation Fund - unsecured		
Balance at beginning of the year		280,830	19,852
Allocation for the year	34	822,550	461,400
		1,103,380	481,252
Payment made during the year		(965,400)	(200,422)
		137,980	280,830
11.4	Payable to gratuity fund / scheme - unsecured		
The amount recognized in the statement of financial position is as follow:			
Present value of defined benefit obligation		876,283	982,692
Fair value of plan assets		(605,198)	(719,332)
Deficit		271,085	263,360
The movement in the present value of defined benefit obligation is as follows:			
Defined benefit obligation at beginning of the year		982,692	991,443
Current service cost		74,850	84,765
Past service cost		545	-
Interest cost		82,574	98,694
Curtailment gain		-	(17,305)
Payment made directly to employees		(13,506)	(1,709)
Benefits paid through fund during the year		(210,454)	(76,462)
Actuarial gain on obligation		(40,418)	(96,734)
Present value of defined benefit obligation at end of the year		876,283	982,692

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees '000)	
The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	719,332	653,212
Interest income	66,688	76,226
Contributions	73,019	118,062
Benefits paid during the year	(210,454)	(76,462)
Return on plan assets excluding those included in interest income	(43,387)	(51,706)
Fair value of plan assets at end of the year	605,198	719,332
Plan assets comprise of:		
Investment in listed securities	108,090	126,252
Investment in mutual funds	25,740	85,214
Investment in Treasury Bills	4,952	-
Investment in Pakistan investment bonds	308,431	347,447
Investment in term deposit receipts	64,190	47,748
Cash and bank balances	93,795	112,669
	605,198	719,330
Actual return on plan assets	23,301	24,520
Contributions expected to be paid to the plan during the next financial year	60,599	47,346

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

	2021	2020
	(Rupees '000)	
Movement in liability recognized in the statement of financial position:		
Opening liability	263,360	338,231
Expense for the year	91,281	89,928
Other comprehensive income	2,969	(45,028)
Payment made directly to employees	(13,506)	(1,709)
Contributions	(73,019)	(118,062)
Special contributions - prior years	-	-
	271,085	263,360
Amount recognized in the statement of profit or loss is as follows:		
Current service cost	74,850	84,765
Past service cost	545	-
Net interest	15,886	22,468
Curtailement gain	-	(17,305)
	91,281	89,928

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees '000)	
The expense is recognized in the following line items in the statement of profit or loss:		
Cost of sales	57,354	64,288
Administrative expenses	26,324	22,235
Distribution expenses	7,603	3,405
	91,281	89,928

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

	2021	2020	2019	2018	2017
	(Rupees '000)				
Present value of defined benefit obligation	876,283	982,692	991,443	949,782	855,765
Fair value of plan assets	(605,198)	(719,332)	(653,212)	(799,599)	(723,161)
Deficit	271,085	263,360	338,231	150,183	132,604
Experience adjustments					
- Remeasurement gain on obligation	40,418	96,734	99,799	3,907	9,559
- Remeasurement gain / (loss) on plan asset	(43,387)	(51,706)	(297,712)	8,009	(61,239)

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2021 for FFBL are as follows:

	2021	2020
Discount rate	11.75%	10.25%
Expected rate of salary growth	11.50%	10.25%
Mortality rate	SLIC (2001-2005)	SLIC (2001-2005)
Withdrawal factor	Moderate	Low
Average duration of defined benefit obligation	9.76 years	10.31 years

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2021 for FFL are as follows:

	2021	2020
Discount Rate	10.50%	10.00%
Expected rate of salary growth	9.50%	10.00%
Mortality rate	SLIC (2001-2005)	SLIC (2001-2005)
Average duration of defined benefit obligation	9 years	9 years

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2021 for FFBL Power Company Limited are as follows:

	2021	2020
Discount rate	10.25%	10.25%
Expected rate of salary growth	12.25%	10.25%
Mortality rate	SLIC (2001-2005)	SLIC (2001-2005)
Withdrawal factor	Age-Based	Age-Based
Average duration of defined benefit obligation	12 years	13 years

Notes to the Consolidated Financial Statements

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Sensitivity analysis - FFBL

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

Rupees in millions	Defined benefit obligation	
	1 percent increase	1 percent decrease
Discount rate	(7)	8
Salary increase rate	8	(7)

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

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2021 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Sensitivity analysis - FFL

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at December 31, 2021 would have been as follows:

Rupees in millions	Defined benefit obligation	
	1 percent increase	1 percent decrease
Discount rate	(47)	56
Salary increase rate	56	(47)

Sensitivity analysis - FPCL

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

Rupees in millions	Defined benefit obligation	
	1 percent increase	1 percent decrease
Discount rate	(13)	9
Salary increase rate	9	(13)

- 11.5** The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business.

		2021 (Rupees '000)	2020
12	ACCRUED INTEREST		
	Demand finance	1,912	66,626
	Short term borrowings	639,316	357,289
	Short term loans	185,675	335,390
	Lease financing	3,578	-
		830,481	759,305

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees '000)	
13	SHORT TERM BORROWINGS - SECURED		
	From banking companies and financial institutions		
	Demand finance	2,428,974	4,449,987
	Running finance	16,493,207	18,232,402
		18,922,181	22,682,389

This includes an amount of Rs. 273 million (2020: Rs. 830 million) drawn from Askari Bank Limited, a related party. The Group has arranged short term facilities from various banks on mark-up basis with limits aggregating to Rs. 29,503 million (2020: Rs. 27,210 million). These facilities carry mark-up ranging from 7.7% to 11.37% (2020: 7.45% to 8.80%) per annum and are secured by hypothecation of charge on fixed and current assets of the Group.

		2021	2020
		(Rupees '000)	
14	CONTINGENCIES AND COMMITMENTS		
14.1	Contingencies:		
14.1.1	i) Guarantees issued by banks on behalf of the Group	73,200	89,706
	ii) Group's share of contingent liabilities of Foundation Wind Energy-I Limited as at September 30, 2021 (September 30, 2020)	-	64,690
	iii) Group's share of contingent liabilities of Foundation Wind Energy-II Limited as at September 30, 2021 (September 30, 2020)	-	257,950
	iv) Group's share of contingent liabilities of Askari Bank Limited as at September 30, 2021 (September 30, 2020)	56,970,121	47,084,838

14.1.2 Fauji Fertilizer Bin Qasim Limited - contingencies

- The Holding Company has also provided financial guarantees, obtained from commercial banks, in the name of Excise and Taxation Department, Government of Sindh, amounting to Rs. 2,774 million (December 31, 2020: Rs. 2,275 million), representing unpaid levy due under the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (Sindh Cess Act); deposited pursuant to instructions of the Honorable Sindh High Court (SHC) under a petition filed by the Company (along with various other importers of goods) challenging the constitutionality of the power exercised by the provincial legislature to levy the Cess. The Holding Company has also deposited the 50% levy, in cash, on monthly basis since June 2011. During the period, on June 04, 2021, SHC has upheld the Sindh Cess Act as valid legislation, retrospectively with effect from July 01, 1994. On the advice of its legal counsel, the Holding Company filed an appeal against the decision, with the Honorable Supreme Court of Pakistan (SCP) and obtained stay order from the SCP against the decision, on September 01, 2021.

As a matter of prudence, the Holding Company is recognizing the provision at the time of the activity that triggers the payment of the levy in accordance with the Sindh Cess Act; amounting to Rs. 2,775 million as of December 31, 2021 (December 31, 2020: Rs. 2,275 million). During the period, the Holding Company has recognized the levy amounting to Rs. 801 million (December 31, 2020: Rs. 437 million) along with payment of Rs. 301 million (December 31, 2020: Rs. 219 million).

- The Holding Company was liable to repay loans originally obtained from Export Credit Agencies (ECA), amounting to Rs. 9,723,015 thousand to the Government of Pakistan (GoP), in 15 annual equal installments, with a 1 year grace period, at zero percent, effective November 30, 2001. As per the restructuring agreement, the final installment was paid in June 2017.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

These loans from ECA, which were assumed by the GoP, were initially secured with a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions. The guarantee was secured by a first equitable mortgage created on all immovable properties of the Holding Company, and by way of hypothecation of movable properties of the Holding Company. The charge ranked pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Holding Company to obtain an indemnity from the 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, the GoP had conveyed its agreement by assuming the ECA loan liabilities by absolving related banks and financial institutions of their liabilities, for which they earlier issued guarantees to the ECA. As a result, three ECAs have released the guarantee of HBL and have returned the original documents.

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Holding Company, has not been vacated up to December 31, 2020. The Holding Company is making efforts in getting this guarantee released.

- During the period, Federal Board of Revenue has issued orders for Tax Years 2015 to 2020, creating accumulated demand of Rs. 13.49 billion, by disallowing various expenses with consequential tax impact. The Holding Company has filed appeals with Commissioner Inland Revenue (Appeals) in respect of Tax Years 2015 to 2020 and also obtained stay order against recovery proceedings. Management of the Holding Company is confident of eventual favorable outcome in these cases. Moreover, adequate provision, in accordance with income tax law has been recognized in the consolidated financial statements.

14.1.3 Fauji Foods Limited - contingencies

FFL has issued following guarantees:

- Guarantees aggregating Rs. 17.61 million (2020: Rs. 14.78 million) have been issued by banks on behalf of FFL to Sui Northern Gas Pipeline Limited, Pakistan State Oil and Controller Naval Account.
- The Taxation Officer, after conducting audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance) for the tax year 2005, had passed an amended assessment order under section 122 of the Ordinance raising tax demands of Rs. 34.99 million alleging that FFL suppressed its sales. The Commissioner Inland Revenue-Appeals (CIR-A) annulled this assessment order whereas the Appellate Tribunal Inland Revenue (ATIR) had set aside the order of CIR-A and remanded the case back to CIR-A for denovo proceedings. The CIR-A, vide his order dated September 03, 2012, has allowed partial relief of Rs. 11.32 million to FFL. The remaining disputed amount after rectification order under section 221 of the Income Tax Ordinance 2001 dated May 16, 2013 out of Rs. 34.99 million now stands at Rs. 18.28 million. Both FFL and the Department have filed appeals before the ATIR against the order of CIR-A, which are pending adjudications.

For the year ended June 30, 2012 i.e tax year 2012 amendment order was framed determining tax at Rs. 74,128,663 as against Rs. 22,753,512 conceded in the return. The CIR (Appeals) in his order under section 129 dated December 31, 2018 has confirmed the action of the ACIR in respect of certain additions and set aside other matters with directions. FFL is not in agreement with the result in appeal and has filled appeal before the ATIR which is pending adjudication.

- For the Tax year 2013, Amendment order under section 122(5A) has framed on May 16, 2019 wherein additions for alleged suppressed / Un-reconciled sales has been made at Rs. 43,770,576 and for in admissible exchange loss amounting to Rs. 4,252,697. Further, turnover tax credit has also been disallowed. Appeal has been filled before the CIR Appeals against the said additions and refusal to grant tax credit which is pending adjudication.

Proceedings U/s 149 for short deduction of tax are in progress.

- Company was selected for audit under section 214C for Tax year 2014 as per list published by FBR.

For the Tax year 2014, The Department order in this case has resulted in demand of Rs. 5,923,267 as against refund of Rs. 2,108,564 claimed in the return.

Further, FFL has obtained stay against recovery of above tax demand under section 140 of ITO 2001, and has also filled appeal before CIR appeals Lahore, which is pending adjudication.

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- During the year ended 31 December 2016, Assistant Commissioner Inland Revenue (ACIR) raised sales tax demand of Rs. 4.84 million under section 11(2) and 11(3) of the Sales Tax Act 1990 against inadmissible refund claim and non-realization of sales tax on sale of scrap during the period from December 2012 to March 2013. FFL filed an appeal before Commissioner Inland Revenue - Appeals (CIR - A) which was decided against FFL dated November 14, 2016. Being aggrieved by the treatment meted out, FFL preferred an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favor of FFL and waived off the whole tax demand against which the Department filed reference before the Honorable Lahore High Court which is pending adjudication.
- During the year ended 31 December 2018, Assistant Commissioner Inland Revenue (ACIR) through its order dated October 23, 2018, raised a sales tax demand for the period from July 2016 to June 2017, under section 11(2) and 11(3) of Sales Tax Act, 1990, amounting to Rs. 145,570,000 along with penalty of Rs. 7,280,000 against inadmissible adjustment of input tax on goods not related to taxable supplies, non-realization of sales tax on disposal of fixed assets and non-withholding of sales tax from payment made against advertisement. Being aggrieved, FFL preferred an appeal before Commissioner Inland Revenue - Appeals (CIR-A) through order 03/2020 dated 11/12/2020 demand was reduced to Rs.13,000,000. Aggrieved by the order, FFL filed an appeal before ATIR which is pending adjudication.
- The DCIR has concluded the assessment and proceeding through its order u/s 11(2) for the period from July 29, 2019 to December 2019 has charged sales tax amounting Rs. 14,000,000. FFL being aggrieved by the order filled appeal before CIR appeals who, through order 08/2020 dated 29/10/2020 remanded the case back to ACIR for re-assessment . The department have filled appeal before ATIR which is pending adjudication.
- The DCIR has concluded the assessment and proceeding through its order u/s 11(2) for the period from July 2016 to December 2016 has charged sales tax amounting Rs. 6,090,000. FFL aggrieved by the order filled appeal before CIR appeals who, through order 09/2020 dated 29/10/2020 remanded the case back to ACIR for re- assessment. The department have filled appeal before ATIR which is pending adjudication.
- Based on the opinion of the legal and tax advisors handling the above litigations, the management believes that FFL has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision has been made in these financial statements.

14.1.4 Fauji Meat Limited - contingencies

- In respect of tax year 2014, the Assistant Commissioner Inland Revenue (ACIR) issued order dated March 28, 2018 under Section 161/205 of the Income Tax Ordinance, 2001 and raised income tax demand of Rs 7,484,037 along with the default surcharge under Section 205 of the Ordinance. The Commissioner Inland Revenue (Appeals) vide appellate order dated May 29, 2018 has annulled the impugned order dated March 28, 2018 and deleted the income tax demand along with default surcharge of Rs. 7,484,037. FML and the department filed cross appeals with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid appellate order dated May 29, 2018. The ATIR vide order dated February 25, 2021 remanded back the case to the department for deciding afresh. FML has filed reference in the Honorable Islamabad High Court against the aforesaid appellate order of the ATIR. FML also filed rectification application with the ATIR against order dated February 25, 2021 and the ATIR vide order dated November 22, 2021 has rectified its order dated February 25, 2021 and upheld the order dated May 29, 2018 of Commissioner Inland Revenue (Appeal) annulling the impugned order dated March 28, 2018.
- In respect of tax year 2015, the ACIR issued dated March 28, 2018 under section 161/205 of the Income Tax Ordinance, 2001 and raised income tax demand of Rs 68,893,824 along with the default surcharge under section 205 of the Ordinance. The CIR (Appeals) vide appellate dated May 29, 2018 has either deleted or remanded back the issues on which income tax demand of Rs. 67,225,450 along with default discharge was raised. Further, the CIR (Appeals) has confirmed the ACIR's action on certain issues on which income tax demand along with default surcharge of Rs 1,668,374 was raised. The ACIR has also issued appeal effect order dated July 31, 2018 under section 124 in respect of the issues upheld by the CIR (Appeals) and raised demand of Rs 1,668,374. FML and the department filed cross appeals with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid appellate order dated May 28, 2018. The ATIR vide appellate order dated August 3, 2021 has remanded back the issues to the department on which tax demand of Rs 1,114,965 along with default surcharge under section 205 of the Ordinance was raised and deleted remaining income tax demand raised by the ACIR.

Notes to the Consolidated Financial Statements

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- The Assistant Commissioner Sindh Revenue Board, Karachi vide Order-in-Original No 41 of 2018 dated February 03, 2018 has created a demand of Rs. 111,218 thousand along with penalty of Rs. 56,965 thousand on account of non-withholding and deposit of Sindh sales tax on consultancy and product transportation expenses for tax periods January 2015 to December 2016. FML filed an appeal with the Commissioner Appeals, Sindh Revenue Board, Karachi against the aforesaid order. Hearing of appeal is in progress. Further the Sindh High Court, Karachi granted stay vide order dated September 23, 2019 against the recovery of the amount raised vide aforementioned order till the decision of appeal pending before Commissioner Appeals, Sindh Revenue Board, Karachi.
- In respect of tax year 2016, the ACIR issued order dated March 28, 2018 under section 161/205 of the Income Tax Ordinance 2001 and raised income tax demand of Rs 120,626,341 along with the default surcharge under section 205 of the Ordinance. The CIR (Appeals) vide appellate order dated May 29, 2018 has either deleted or remanded back the issues on which income tax demand of Rs 96,451,110 was raised. Further CIR (Appeals) has confirmed the ACIR's action on certain issues on which income tax demand along with default surcharge of Rs 24,175,231 was raised. FML and the department has filed cross appeals with the ATIR against the aforesaid appellate order dated May 29, 2018. The ATIR has granted stay to FML for period of forty days or till disposal of appeal, whichever is earlier vide stay order dated December 03, 2021 against balance tax demand of Rs. 24,175,231. The hearing of appeal is fixed for January 18, 2022.

The Assistant Commissioner Sindh Revenue Board, Karachi vide Order dated February 03, 2018 has created a demand of Rs. 111,218,773 along with penalty of Rs. 56,965,713 on account of non-withholding and deposit of Sindh sales tax on consultancy and product transportation expenses for tax periods January 2015 to December 2016. FML filed an appeal with the Commissioner Appeals, Sindh Revenue Board, Karachi against the aforesaid order. Hearing of appeal is in progress. Further, FML has filed constitutional petition No D - 5936 of 2019 before the Honorable High Court of Sindh, Karachi.

14.1.5 FFBL Power Company Limited - contingencies

On September 29, 2020, the IR authority framed Order with respect to alleged inadmissible claim of input sales tax during the tax periods June 2015 to June 2017. Through the Order, the IR authorities determined principal sales tax demand of Rs. 557.879 million along with penalty of Rs. 27.894 million and default surcharge. Being aggrieved with the Order, FPCL preferred an appeal before the CIR-A who upheld the Order framed by the authority. FPCL preferred second appeal before the ATIR which is subjudice till date. Meanwhile, the IR authority issued notice to FPCL for recovery of outstanding tax demand. On stay application filed by FPCL, the ATIR allowed stay against tax demand till the decision of main appeal. FPCL has strong arguable case on legal and factual issues and it is more likely that the matter will be decided in favour of FPCL.

		2021	2020
		(Rupees '000)	
14.2	Commitments:		
i)	Capital expenditures - contracted	164,044	227,111
ii)	Letters of credit for purchase of raw materials and stores and spares	1,128,973	797,643
iii)	Commitments of FWEL -I & FWEL-II as at September 30, 2021 (2020: September 30, 2020)	-	1,112,318
iv)	Commitments of FFBL Power Company Limited	1,645,239	2,626,630
v)	Commitments of Fauji Foods Limited	7,510	-
vi)	Group's share of commitments of PMP as at September 30, 2021 (2020: September 30, 2020)	76,951	12,463
vii)	Group's share of commitments of Askari Bank Limited as at September 30, 2021 (2020: September 30, 2020)	91,593,283	93,056,938

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	PROPERTY, PLANT AND EQUIPMENT															Total			
	Leasehold land	Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 15.1)	Capital Spares	Sub Total	Vehicles		Building	Machinery	Sub Total
(Rupees '000)																			
COST																			
Balance as at January 01, 2020	560,078	876,648	4,770,482	7,631,766	59,488,466	249,762	1,077,182	955,089	519,266	2,406	419,018	1,013,894	79,036,478	204,324	472,203	357,369	1,033,896	80,060,374	
Additions during the year	1,200	-	6,114	30,951	184,568	26,701	125,046	21,457	30,652	-	66,984	990,120	45,377	1,529,170	62	3,737	5,095	1,538,074	
Disposals	-	-	-	-	(336,634)	-	(226,915)	-	(1,207)	-	-	-	(564,756)	(63,948)	-	-	(198,493)	(763,249)	
Adjustments (refer to note 28)	-	(270,242)	(500)	-	-	-	-	(10)	-	-	-	-	-	(270,752)	-	-	-	(270,752)	
Transfers **	-	-	180,224	19,200	940,594	-	108	(1,286)	5,265	-	4,039	(1,187,620)	-	(39,175)	2,836	-	2,836	(36,339)	
Balance as at December 31, 2020	564,278	606,406	4,956,320	7,682,217	60,226,994	276,463	915,421	975,261	553,976	2,406	490,041	1,059,271	79,680,965	143,274	341,395	362,414	847,083	80,528,048	
Balance as at January 01, 2021	564,278	606,406	4,956,320	7,682,217	60,276,994	276,463	915,421	975,261	553,976	2,406	490,041	1,059,271	79,680,965	143,274	341,395	362,414	847,083	80,528,048	
Additions during the year *	-	-	2,607	-	108,566	11,952	149,517	11,980	27,967	-	33,397	233,273	19,396	598,655	-	-	-	598,655	
Disposals	-	-	-	-	(103,697)	(988)	(126,955)	(356)	-	-	-	-	-	(231,996)	(97,043)	-	(97,043)	(329,039)	
Termination of lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(175,182)	-	(175,182)	(175,182)	
Adjustments (refer to note 28)	-	-	-	-	(34,290)	-	-	-	-	-	-	-	-	(33,392)	-	-	-	(33,392)	
Transfers **	42,504	-	-	-	556,098	208,432	-	13,443	(123)	-	147,274	(938,861)	(28,767)	-	-	-	-	-	
Balance as at December 31, 2021	606,782	606,406	4,959,427	8,238,315	60,456,005	287,427	937,983	1,000,726	581,820	2,406	670,712	616,323	1,049,900	80,014,232	46,231	1,66,213	362,414	574,858	80,589,090
DEPRECIATION																			
Balance as at January 01, 2020	134,352	-	502,095	1,466,218	24,089,911	66,552	455,526	369,751	459,644	2,280	419,018	-	-	27,965,347	75,819	28,554	16,622	120,995	28,086,340
Charge for the year ***	8,241	-	169,355	245,914	1,896,268	24,097	142,234	120,832	35,232	81	11,837	-	-	2,654,091	18,514	32,145	14,412	65,071	2,719,162
Disposals	-	-	-	-	(335,941)	-	(185,721)	-	(1,207)	-	-	-	-	(522,869)	(26,060)	(15,421)	-	(41,481)	(564,350)
Adjustments (refer to note 28)	-	-	(26)	-	-	-	-	(4)	-	-	-	-	-	(30)	-	-	-	-	(30)
Balance as at December 31, 2020	142,593	-	671,424	1,712,132	25,650,238	90,649	412,039	490,579	493,669	2,361	430,855	-	-	30,096,539	68,273	45,278	31,084	144,585	30,241,124
Balance as at January 01, 2021	142,593	-	671,424	1,712,132	25,650,238	90,649	412,039	490,579	493,669	2,361	430,855	-	-	30,096,539	68,273	45,278	31,084	144,585	30,241,124
Charge for the year ***	8,414	-	169,488	258,452	1,916,557	45,967	113,108	136,285	30,770	39	36,930	-	-	2,716,010	25,409	5,347	14,497	45,533	2,761,263
Disposals	-	-	-	-	(42,343)	(938)	(97,245)	(92)	-	-	-	-	-	(141,118)	(82,929)	-	-	(82,929)	(224,047)
Termination of lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38,239)	-	-	(38,239)	(38,239)
Adjustments (refer to note 28)	-	-	37	-	-	-	-	30	-	-	-	-	-	67	-	-	-	-	67
Balance as at December 31, 2021	151,007	-	840,949	1,970,584	27,524,452	135,678	427,402	626,802	524,439	2,400	467,785	-	-	32,671,498	10,753	12,386	45,531	68,670	32,740,168
Written down value - 2020	421,685	606,406	4,284,896	5,970,085	34,626,756	185,814	503,382	484,682	60,307	45	59,186	1,321,911	1,059,271	49,584,426	75,001	296,117	331,380	702,498	50,286,924
Written down value - 2021	455,775	606,406	4,118,478	6,267,731	32,931,553	151,749	510,581	373,924	57,381	6	202,927	616,323	1,049,900	47,342,734	35,478	153,827	316,883	506,188	47,848,922
Rate of depreciation	2%-4%	-	3%	3%	3.33%-5%	10%	20%-40%	15%	33%-50%	30%	17%-50%	-	-	-	33%	10%-15%	5%	5%	

* Additions during the year includes borrowing cost of Rs. Nil (2020: Rs. 22,225 thousand) in respect of qualifying plant and machinery at the capitalization rate of Nil (2020: 13.44%).

** During the year, an amount of Rs. Nil (2020: Rs. 36,339 thousand) was transferred from CHMP to intangible asset.

*** As at reporting date, plant and machinery of the Holding Company having cost of Rs. 15,787,836 thousand (2020: Rs. 16,123,483) have been fully depreciated but are still in use.

**** FPL is in the process of transferring the title of freehold land in its name.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
15.1 Capital work in progress - CWIP			
Fauji Fertilizer Bin Qasim Limited	15.1.1	180,313	301,674
FFBL Power Company Limited	15.1.2	211,705	796,243
Fauji Foods Limited	15.1.3	224,305	223,994
		616,323	1,321,911
15.1.1 CWIP - Fauji Fertilizer Bin Qasim Limited			
Plant and machinery		87,234	57,048
Catalyst		84,681	231,955
Others		8,398	12,671
		180,313	301,674
15.1.2 CWIP - FFBL Power Company Limited			
Buildings on leasehold land		45,927	585,291
Plant and machinery		165,778	210,952
		211,705	796,243
15.1.3 CWIP - Fauji Foods Limited			
Plant and machinery		223,135	222,824
Building		-	-
Leased vehicles		-	-
Intangible		1,170	1,170
		224,305	223,994
15.2 Depreciation charge has been allocated as follows:			
Cost of sales	30	2,526,176	2,474,601
Selling and distribution expenses	31	14,127	43,524
Administrative expenses	32	220,960	201,037
		2,761,263	2,719,162

Particulars of immovable assets of the Group are as follows:

Location	Company	Address	Covered Area (acre)
Islamabad	FFBL	C1/C2, Sector B, Jinnah Boulevard DHA Phase II	2
Karachi	FFBL	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	250
Karachi	FFBL	Tank Farm Area, Port Qasim	8
Karachi	FFBL	Near Rangers Check Post, Opposite Naval Marine Base, National Highway	202.2
Pindi Bhattian Thatta	FFBL	Moza Thatta Raika and Moza Thatta Bahuman	167
	FML	Deh Kohistan Chak No. 1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta	46.35
Karachi	FPCL	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	100
Bhalwal	FFL	Sarghoda Road, Bhalwal	15.05

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

- 15.3** Owing to continuous losses, curtailment of operations and of negative operating cash flows, FML carried out an impairment test of its plant and property under the requirements of relevant accounting standards. FML based its estimate of recoverable value, determined as a fair value less cost to sell, on the replacement value/ cost method, as of November 2021, determined by external valuer engaged by the Holding Company. The FML's estimate of recoverable value, which is not expected to be less than Rs. 6,771,778 thousand (i.e. forced sale value (FSV) determined by external valuer) exceeds the carrying values of property, plant and equipment by Rs. 1,242,815 thousand. Accordingly, no impairment charge has been recognized in these consolidated financial statements

The Valuer has determined its estimate of recoverable value in following manner:

Plant	Cost: (a) imported items of plant: Current Cost and Freight values in US\$ converted into Pak Rupees at current exchange rates, government levies and expected installment charges and (b) local items of plant: installed value based on inquiries from local suppliers/ markets. Adjustment for current condition: applied a diminishing rate of 5% per annum on reducing value method.
Land	Current market rate based on inquiries from local real estate agents
Building	Replacement cost is based on current cost of construction with applied a diminishing rate of 3% per annum on reducing value method

The valuer has applied a FSV factor of 20%, based on his professional judgements of certain aspects integral to these items (including location, economic obsolescence and age) which a market participant is expected to consider for the purpose of determining the exit price. Based on head room available, management is confident that any reasonable adjustment in forced sale value determined by external valuer to arrive at fair value as of reporting date would not result in recognition of any additional impairment charge.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		Sold to	Cost	Book value	Sale proceeds	Gain / (Loss)
(Rupees '000)						
15.4	Details of property, plant and equipment sold:					
	Vehicles - as per company policy to employees					
	Toyota Corolla GLI	Syed Irfan Shah	1,994	565	785	220
	Toyota Corolla XLI	Omar Kamran	1,885	672	858	186
	Toyota Corolla GLI	Khurram Tariq	2,094	611	678	67
	Toyota Corolla XLI	Abrar Shafiq	1,942	765	993	228
	Toyota Corolla GLI	Ibrahim Sheikh	2,094	824	1,071	247
	Suzuki Cultus	Zaheer Ahmed	1,409	555	653	98
	Toyota Corolla XLI	Abubaker Khalid	1,977	700	738	38
	Toyota Corolla GLI	Ghulam Mustafa	2,155	930	1,105	175
	Toyota Corolla GLI	Omer Farooq	2,259	1,192	1,342	150
	Suzuki Cultus	Obaid Zia	1,461	670	484	(186)
	Suzuki Cultus	Ammar Saeed	1,480	802	767	(35)
	Suzuki Cultus	Imran Kazi	1,410	812	402	(410)
	Suzuki Cultus	Atiq Ur Rehman	1,410	825	402	(423)
	Suzuki Cultus	Ghulam Sarwar	1,410	847	402	(445)
	Toyota Corolla XLI	Daniyal Ahuja	2,544	1,841	1,932	91
	Toyota Corolla XLI	Muhammad Saeed Iqbal	2,590	1,540	1,689	149
	Toyota Corolla XLI	Yaqoob Khan	2,564	1,923	1,998	75
	Suzuki Cultus	Syed Zafar Tahir	1,879	1,409	1,468	59
	Toyota Corolla Altis	Umar Farooq Ahmad	1,998	799	2,160	1,361
	Toyota Corolla Altis	Imran Mirza	2,606	1,694	3,000	1,306
	Toyota Corolla Altis	Sabir Mahmood	2,704	1,578	1,210	(368)
	Toyota Corolla Altis	Muhammad Babar Rashid	2,695	1,302	1,400	98
	Honda Civic	Muhammad Haseeb Aslam	3,098	1,291	956	(335)
	Toyota Corolla Altis	Salman Ahmed	1,524	814	337	(477)
	Toyota Corolla XLI	Aamir Iqbal	1,432	549	209	(340)
	Toyota Corolla GLI	Khalid Bhatti	1,447	868	209	(659)
	Honda BRV	Anees Afzal	1,920	704	288	(416)
	Vehicles - as per company through bidding					
	Toyota Corolla XLI	Muhammad Ifzal Akhtar	2,029	1,589	2,640	1,051
	Toyota Corolla XLI	Abdul Rehman Butt	1,967	1,180	2,640	1,460
	Insurance Claim					
	Toyota Corolla GLI		2,525	1,978	2,875	897
	Toyota Corolla GLI		2,461	1,354	2,690	1,336
	Plant & Machinery		103,697	61,354	77,500	16,146
	Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000		162,379	10,456	52,805	42,259
		2021	329,039	104,993	168,686	63,603
		2020	628,704	79,775	218,217	138,442

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

16 INTANGIBLE ASSETS

	Softwares	Goodwill (note 16.1)	Capital work in progress	Total
	(Rupees '000)			
COST				
Balance as at January 01, 2020	181,870	377,778	-	559,648
Additions during the year	2,043	-	10,735	12,778
Transfer during the year	36,339	-	-	36,339
Balance as at December 31, 2020	220,252	377,778	10,735	608,765
Balance as at January 01, 2021	220,252	377,778	10,735	608,765
Additions during the year	1,047	-	-	1,047
Transfer during the year	-	-	-	-
Balance as at December 31, 2021	221,299	377,778	10,735	609,812
AMORTIZATION				
Balance as at January 01, 2020	140,114	-	-	140,114
Charge for the year	25,449	-	-	25,449
Balance as at December 31, 2020	165,563	-	-	165,563
Balance as at January 01, 2021	165,563	-	-	165,563
Charge for the year	33,393	-	-	33,393
Balance as at December 31, 2021	198,956	-	-	198,956
Written down value- 2020	54,689	377,778	10,735	443,202
Written down value- 2021	22,343	377,778	10,735	410,856
Rate of amortization	33%			

16.1 On September 04, 2015, the Group acquired 38.25% of voting and non-voting shares of FFL and concluded that FFBL has obtained control over FFL, based on its ability to appoint a majority of its directors and senior management personnel. The Group paid a consideration of Rs. 479,857 thousand to obtain the control of FFL on the acquisition date, when the fair value of FFL's identified net assets amounted to Rs. 266,872 thousand including a non controlling interest of Rs. 164,793 thousand. Accordingly, the Group recognized goodwill of Rs. 377,778 thousand.

As at the reporting date, the Holding Company performed an impairment test for FFL, a cash generating unit ("CGU"). The Holding Company has determined recoverable amount of CGU, based on a fair value less cost of disposal, which was higher than the carrying amount of the CGU in the consolidated financial statements, accordingly no impairment was recognized. The fair value has been determined by reference to quoted closing exit price at the reporting date. The cost of disposal has been assessed to be immaterial. The management has also performed value-in-use calculation. Value-in-use was estimated using long term cash flow projections approved by Board of Directors of FFL. The pre-tax risk adjusted discount rate and the short term market growth-rate applied to cash flow projections is 12.99% and 5% (2020: 14.25% and 5%), respectively, both of which are inherently uncertain. The cash flow projections are sensitive to assumptions regarding period of sustained growth, short term market growth-rate and discount rate. Refer note 1.2.

	Note	2021 (Rupees '000)	2020
16.2	Amortization charge has been allocated as follows:		
Cost of sales	30	14,612	1,414
Selling and distribution expenses	31	-	4,995
Administrative expenses	32	18,781	19,040
		33,393	25,449

Notes to the Consolidated Financial Statements

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	Note	2021 (Rupees '000)	2020
17	INVESTMENT PROPERTY		
	Investment property - at cost		
	Carrying amount as at January 01, 2021	-	-
	Transfer from non-current assets held for sale	270,242	-
	Carrying amount as at December 31, 2021	270,242	-

17.1 This represents freehold land located at Pindi Bhattian owned by the Holding Company. This land is not occupied by the Holding Company and is held for capital appreciation and earning rental income. The rental income in respect of this property amounting to Rs. 1,635 thousand has been recognized in profit or loss and included in other income. The Holding Company carries this investment property under cost model. No significant operating expenses were incurred during the year. Subsequent to reporting date, title of land was transferred in the name of the Holding Company.

17.2 The fair value of the land approximates to Rs. 500,000 thousand. The latest valuation was made by an independent valuer during the current year.

	Note	2021 (Rupees '000)	2020
18	SHORT TERM INVESTMENTS		
	Interest in jointly controlled entity	18.1 8,949,117	6,400,564
	Interests in associates	18.2 11,518,925	17,886,602
	Other short term investment	18.4 -	-
		20,468,042	24,287,166

18.1 Interest in jointly controlled entity

Pakistan Maroc Phosphore S.A. (PMP) is a joint arrangement in which the Group, along with its partners, has joint control and a 25% ownership interest. It is one of the Group's strategic suppliers and is principally engaged in the production of phosphoric acid in Morocco. PMP is not publicly listed. PMP is structured as a separate vehicle and the Group has a residual interest in the net assets of PMP. Accordingly, the Group has classified its interest in PMP as a joint venture.

The cost of the Group's investment is Moroccan Dirhams 200,000 thousand, which was made from 2004 to 2006 and represents 25% interest in PMP, a joint venture between the Group, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad. The principal place of business is Jorf Lasfar, Morocco. According to the shareholders' agreement, if any legal restrictions are laid on dividends by Pakistan Maroc Phosphore S.A., the Group's equity will be converted to an interest bearing loan. The Group has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

There has been no default by PMP against its loans. Further, there has been no litigations against PMP.

PMP has declared dividend amounting to Rs. 583,217 thousand (2020: Rs. 1,118,720 thousand), during the year.

The following table summarises the financial information of PMP as included in its own financial statements for the period ended September 30, 2021, which have been used for equity accounting as these were the latest approved financial statements. Further, results of operations of the last quarter of 2020 have also been considered for equity accounting. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in PMP.

Notes to the Consolidated Financial Statements

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	Note	2021 (Rupees '000)	2020
Percentage ownership interest		25%	25%
Non-current assets		10,877,404	11,255,250
Current assets including cash and cash equivalents amounting to Rs. 1,263 million		41,444,459	29,212,460
Non-current liabilities		(4,972)	(113,601)
Current liabilities		(16,508,648)	(12,950,358)
Net Assets (100%)		35,808,243	27,403,751
Group's share of net assets (25%)		8,952,061	6,850,938
Dividend declared after September 30, 2020		-	(447,430)
Other adjustment		(2,944)	(2,944)
		(2,944)	(450,374)
Carrying amount of interest in joint venture		8,949,117	6,400,564
Revenue		57,003,768	39,214,100
Depreciation and amortisation		(1,718,391)	(1,687,457)
Finance costs		(11,737)	(142,785)
Income tax expense		(2,713,553)	(1,311,360)
Other expenses		(41,886,050)	(32,714,534)
Profit (100%)		10,674,037	3,357,964
Group's share of profit (25%)		2,668,509	839,491
18.2 Interests in associates			
Foundation Wind Energy - I Limited (FWEL-I)	18.2.1	-	3,557,413
Foundation Wind Energy - II Limited (FWEL-II)	18.2.1	-	3,486,480
Askari Bank Limited (AKBL)	18.2.2	11,518,925	10,842,709
		11,518,925	17,886,602
18.2.1	Pursuant to the approval of the Board of Directors and shareholders in their respective meetings held on June 29, 2021 and July 27, 2021, respectively, the Holding Company disposed-off all of its shareholding in associated companies - Foundation Wind Energy - I Limited and Foundation Wind Energy - II Limited, effective September 29, 2021, to one of the Holding Company's shareholders, Fauji Fertilizer Company Limited, a related party, as per respective Share Purchase Agreements. The consideration amounted to Rs. 2,622 million and Rs. 2,634 million at an agreed price per share of Rs. 21.39 / share and Rs. 21.33 / share, respectively, after dividends received from FWE-I and FWE-II after December 31, 2020. The Holding Company has recognized a loss of Rs. 1,246 million and Rs. 1,141 million, respectively, in the consolidated statement of profit or loss (refer to note 34).		
18.2.2	FFBL holds 21.57% (2020: 21.57%) equity of Askari Bank Limited (AKBL), representing 271,884 thousand ordinary shares of Rs. 10 each, acquired at an average price of Rs. 19.31 per share. The market value of the investment in AKBL as at December 31, 2021 was Rs. 5,986,886 thousand (2020: Rs. 6,359,367 thousand). AKBL is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The head office of AKBL is situated at AWT Plaza, P.O BOX 1084, Rawalpindi.		
	The management of the Company has carried out an impairment analysis of this investment, based on future expected cash flows for the next four years and thereafter cash flows on terminal values, with a 2% (2020: 2%) per annum growth. The future cash flows have been discounted at a risk adjusted rate of 17.74% (2020: 17.12%) to arrive at an intrinsic value of shares of AKBL. Based on the analysis, management believes that the carrying value of the investment in the associated company is less than its recoverable amount.		
18.3	The following table summarises the financial information of associate (2020: associates) as included in their own unaudited interim financial information for the period ended September 30, 2021, which have been used for accounting under the equity method as these were the latest approved financial statements.		

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The reporting date of AKBL is 31 December and the reporting date of other associates, disposed off in current and prior years was 30 June. Accordingly, for the purpose of incorporation of results of AKBL, the operations of three quarters of the financial year 2021 and the last quarter of the financial year 2020, have been considered while the results of operations of the three quarters of financial year 2021 (uptil designation of investment in FWEL I & II as held for sales on 29 June 2021), have been considered for FWEL I & II. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associates.

2021		(Rupees '000)			
	FCCL	FWEL - I	FWEL - II	AKBL	Total
Percentage of shareholding	1.36%	35%	35%	21.57%	
Non-current assets	-	-	-	-	-
Current assets	-	-	-	-	-
Total assets	-	-	-	1,196,984,918	1,196,984,918
Non-current liabilities	-	-	-	-	-
Current liabilities	-	-	-	-	-
Total liabilities	-	-	-	(1,148,270,245)	(1,148,270,245)
Net assets (100%)	-	-	-	48,714,673	48,714,673
Group's share of net assets	-	-	-	10,507,755	10,507,755
Goodwill	-	-	-	1,099,231	1,099,231
Other adjustment	-	-	-	(88,061)	(88,061)
	-	-	-	1,011,170	1,011,170
Carrying amount of interest in associate	-	-	-	11,518,925	11,518,925
Revenue	-	2,351,706	2,312,428	36,960,361	41,624,495
Profit from continuing operations (100%)	-	1,186,765	1,149,540	9,457,060	11,793,365
Group's share of profit	-	415,368	402,339	2,039,888	2,857,595

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2020	(Rupees '000)				
	FCCL	FWEL - I	FWEL - II	AKBL	Total
Percentage of shareholding	1.36%	35%	35%	21.57%	
Non-current assets	-	11,185,074	10,926,859	-	22,111,933
Current assets	-	5,360,245	5,338,087	-	10,698,332
Total assets	-	16,545,319	16,264,946	970,145,028	1,002,955,293
Non-current liabilities	-	(4,335,907)	(4,237,965)	-	(8,573,872)
Current liabilities	-	(2,194,025)	(2,163,232)	-	(4,357,257)
Total liabilities	-	(6,529,932)	(6,401,197)	(924,892,571)	(937,823,700)
Net assets (100%)	-	10,015,387	9,863,749	45,252,457	65,131,593
Group's share of net assets	-	3,505,385	3,452,312	9,760,955	16,718,652
Goodwill	-	57,818	42,489	1,099,231	1,199,538
Other adjustment	-	(5,790)	(8,321)	(17,477)	(31,588)
	-	52,028	34,168	1,081,754	1,167,950
Carrying amount of interest in associates	-	3,557,413	3,486,480	10,842,709	17,886,602
Revenue	18,489,685	4,358,017	4,280,452	36,639,509	63,767,663
Profit / (loss) from continuing operations (100%)	343,383	1,881,173	1,748,402	10,856,195	14,829,153
Group's share of profit	3,357	658,411	611,941	2,341,681	3,615,390

		2021	2020
		(Rupees '000)	
18.4	Investment - available for sale - unquoted		
	Arabian Sea Country Club Limited (ASCCL)	3,000	3,000
	300,000 ordinary shares of Rs. 10 each		
	Less: Impairment in value of investment	(3,000)	(3,000)
		-	-

The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The breakup value based on audited accounts for the year ended June 30, 2018 was negative Rs. 10.76 per ordinary share. This investment is fully impaired.

		2021	2020
		(Rupees '000)	
	Note		
19	STORES AND SPARES		
	Stores	1,242,849	1,053,415
	Spares	1,624,055	1,782,777
	Provision for obsolescence	(272,630)	(211,390)
		2,594,274	2,624,802
19.1	The movement in provision is as follows:		
	Opening balance	211,390	139,657
	Provision made during the year	61,240	78,985
	Written off during the year	-	(7,252)
		272,630	211,390

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	Note	2021 (Rupees '000)	2020
20 Stock in trade			
Packing materials		303,911	90,405
Raw materials		6,395,881	2,485,915
Raw materials in transit		5,337,421	1,348,173
Work in process		160,307	273,371
Finished goods	20.1	454,715	369,644
Others		-	-
		12,652,235	4,567,508
Provision for stock	20.3	(30,499)	(233,503)
		12,621,736	4,334,005

20.1 As at December 31, 2021, finished goods stock amounting to Rs. 24,005 thousand (2020: Rs. 8,168 thousand) are held with Fauji Fertilizer Company Limited.

20.2 During the year, FFL has charged Rs. 2,300 thousand (2020: Rs. 2,200 thousand), to statement of profit or loss on account of write down of finished goods, work in progress, stock in transit and others.

	Note	2021 (Rupees '000)	2020
20.3	The movement in ECL during the year is as follows:		
	The movement in provision is as follows:		
Opening balance		233,503	55,283
Provision made during the year	30	4,730	242,290
Written off during the year		(207,734)	(64,070)
		30,499	233,503
21 TRADE DEBTS			
Secured - considered good		680,205	1,656,387
Unsecured - considered good		1,381,424	1,504,985
Considered doubtful		1,353,226	1,383,873
		3,414,855	4,545,245
Less: Allowance for expected credit losses	21.1	(1,353,226)	(1,383,873)
		2,061,629	3,161,372
21.1 Allowance for expected credit losses / provision for doubtful debts			
Opening balance		1,383,873	1,071,659
Allowance for the year	35	(30,647)	273,040
Exchange loss on allowance for ECL		-	39,174
		1,353,226	1,383,873

FML has initiated legal proceedings against various parties with overdue balances.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees '000)	2020
21.2	Area wise break-up of gross trade debts outstanding at year end in respect of export sales is as follows:		
	Middle East	1,252,667	1,282,419
	Asia Pacific	3,666	3,666
		1,256,333	1,286,085
	Allowance / provision for the year	(1,240,251)	(1,269,569)
		16,082	16,516
22	ADVANCES		
	Advances to:		
	Executives, unsecured considered good	12,972	11,504
	Other employees, unsecured considered good	129,433	88,377
	22.1	142,405	99,881
	Advances to suppliers and contractors		
	Considered good	871,336	1,165,129
	Considered doubtful	22,286	73,295
		893,622	1,238,424
	Provision for doubtful advances	22.2	(73,295)
		962,732	1,265,010
22.1	These represent interest free advances given to employees, including executives, of the Group, in accordance with the Group's policy. These are repayable within one year. Maximum amount outstanding with key management personnel were Rs. 963 thousand (2020: Rs. Nil), at any time during the year.		
	Note	2021 (Rupees '000)	2020
22.2	The movement in ECL during the year is as follows:		
	Opening balance	73,295	13,477
	Allowance for ECL	31	-
	Closing balance	73,295	59,818
			73,295
23	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Security deposits	92,923	89,842
	Prepayments	214,568	184,031
		307,491	273,873
24	OTHER RECEIVABLES		
	Due from Fauji Fertilizer Company Limited - unsecured, considered good	24.1	2,523,902
	Subsidy receivable from Government of Pakistan	24.2	3,160,992
	Receivable from PMP	24.3	9,456
	Others - considered good		54,317
	Due from associated companies	24.4	5,868
		5,754,535	5,517,495
	Less: allowance for ECL	24.5	(1,230,470)
		4,524,065	5,069,025
24.1	This interest free balance represents amounts recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Holding Company's products under an inter-company services agreement (refer to note 29.1 and 31.2). The collection is transferred on a weekly basis. Maximum amount outstanding during the year was Rs. 6,144 million (2020: Rs. 10,534 million). It is neither past due nor impaired.		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

- 24.2** This includes a subsidy @ PKR 100 per 50 kg bag, on sale of Urea fertilizer, pursuant to notification No.15 (4) CFC / 2015 dated August 07, 2017, issued the Ministry of Finance, Government of Pakistan. Subsidy scheme has been discontinued w.e.f. 30 June 2018. This also includes a subsidy @ PKR 300 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer, and a subsidy @ PKR 156 per 50 kg bag of Urea fertilizer, pursuant to notification F. No. 1-11/2012/DFSC-II/Fertilizer dated June 25, 2016, issued by the Ministry of National Food Security and Research, Government of Pakistan.
- 24.3** This includes an amount of Rs. Nil (2020: Rs. 447,430 thousand), receivable from Pakistan Maroc Phosphore (PMP), a joint venture of the Holding Company, against dividend. Maximum amount outstanding during the year was Rs. 561 million (2020: Rs. 657 million). It is neither past due nor impaired.
- 24.4** This included amounts due from Fauji Cereals and Noon International (Private) Limited, amounting to Rs. 5,829 thousand (2020: Rs. 2,839 thousand) and Rs. 39 thousand (2020: Rs. 39 thousand), respectively. Maximum amounts outstanding during the year was Rs. 5,829 thousand (2020: Rs. 2,839 thousand) and Rs. 39 thousand (2020: Rs. 39 thousand), respectively. These are interest free in the normal course of business on account of sale of goods or services. The amount due from Noon International (Private) Limited are due for more than 6 months. These are interest free in the normal course of business on account of purchase of goods or services.

	Note	2021 (Rupees '000)	2020
24.5	Movement in allowance / provision during the year is as follows:		
	Opening balance as at 01 January	448,470	216,470
	Allowance during the year	35 782,000	232,000
	Closing balance as at 31 December	24.5.1 1,230,470	448,470

- 24.5.1** This includes allowance for ECL relating to Subsidy receivable from Government of Pakistan amounting to Rs. 1,210,952 thousand (2020: 428,952 thousand).

	Note	2021 (Rupees '000)	2020
25	SALES TAX REFUNDABLE		
	Gross sales tax refundable	15,143,122	10,315,312
	Allowance for input and provision against doubtful sales tax refundable	25.1 (1,147,394)	(753,667)
	Net sales tax refundable	13,995,728	9,561,645

- 25.1** This includes allowance for input tax charged to cost of sales amounting to Rs. 393,727 thousand (2020: Rs. 713,549 thousand) under section 73(4) of Sales Tax Act, 1990.

	Note	2021 (Rupees '000)	2020
26	SHORT TERM INVESTMENTS		
	Amortized cost		
	Term deposits with banks and financial institutions	26.1 5,601,349	1,560,936
	Investments at fair value through profit or loss		
	Mutual funds	26.2 8,341,700	-
		13,943,049	1,560,936

- 26.1** These deposits carry interest at rates ranging from 5% to 15% (2020: 6.75% to 7.20%) per annum maturing on various dates, latest by January 21, 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

26.2 Mutual funds

Nature of fund	2021		
	No. of units	Cost (Rupees '000)	Fair value
Cash fund	128,293,105	4,200,000	4,227,928
Islamic fund	90,240,194	3,300,000	3,309,461
Money market funds	53,833,074	800,000	804,311
		8,300,000	8,341,700
Nature of fund	2020		
	No. of units	Cost (Rupees '000)	Fair value
Income funds	-	-	-
Money market funds	-	-	-
		-	-

Note	2021		2020
	(Rupees '000)		
27 CASH AND BANK BALANCES			
Deposit accounts			
- in local currency	27.1	37,837,987	23,129,846
- in foreign currency		3,472	2,042
	27.2	37,841,459	23,131,888
Current accounts		1,505,923	5,210,004
Cash in hand		2,851	3,374
		39,350,233	28,345,266

27.1 This includes Rs. 3,287,932 thousand (2020: Rs. 4,661,588 thousand) held under lien by the commercial banks against various facilities. It also includes a deposit of Rs. 17,719,437 thousand (2020: Rs. 804,070 thousand) at Askari Bank Limited, a related party.

27.2 These deposit accounts carry interest at rates ranging from 2% to 11% (2020: 2% to 12.1%) per annum.

Note	2021		2020
	(Rupees '000)		
27.3			
Cash and cash equivalents			
Cash and cash equivalents included in the statement of cash flows comprise the following:			
Cash and bank balances	27	39,350,233	28,345,266
Short term highly liquid investments	26	5,601,349	1,560,936
Short term running finance	13	(16,493,207)	(18,232,402)
		28,458,375	11,673,800

28 NON CURRENT ASSETS HELD FOR SALE

In October 2020, the Board of FFBL Foods Limited committed to a plan to sell its land located in Pindi Bhattian along with building and other equipment present on that land. Accordingly, these assets were presented as held for sale, stated at lower of carrying amount and fair value less cost to sell.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

The Board of Directors of FFBL Foods Limited, in their meeting held on April 23, 2021, reassessed their earlier decision to sell the land; considering the current economic conditions and market dynamics, the Board of Directors of FFBL Foods Limited has postponed its earlier decision to sell. Accordingly, the Holding Company has reclassified the building and other equipment to property, plant and equipment (Refer note 15), with effect from the date of this decision and the land has been transferred to investment property (Refer note 17).

	Note	2021 (Rupees '000)	2020
29 SALES - NET			
Gross sales		134,698,144	103,394,654
Less:			
Sales tax		5,627,789	4,508,777
Advance tax u/s 235		212,729	144,179
Trade discounts and leakages allowed		595,946	651,019
Commission to Fauji Fertilizer Company Limited	29.1	25,831	29,717
		6,462,295	5,333,692
	29.2	128,235,849	98,060,962

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

		2021 (Rupees '000)	2020
29.2 Disaggregated revenue information			
Type of goods or service			
<i>Fertilizer</i>			
Urea		16,645,060	17,652,010
DAP		93,807,114	65,582,350
		110,452,174	83,234,360
<i>Power</i>			
Electricity		6,982,084	6,169,861
Steam		840,317	83,918
Coal		1,058,134	574,985
Others		217,298	196,826
		9,097,833	7,025,590
<i>Meat</i>			
Beef bone-in		45,052	192,807
Mutton		35,851	162,589
Chicken		18,252	68,829
Others		290	3,625
		99,445	427,850
<i>Foods</i>			
Tea whitener		3,685,722	3,836,272
UHT milk		2,530,257	2,045,944
Butter		1,122,256	909,735
Cheese		707,976	491,741
Others		540,186	89,470
		8,586,397	7,373,162
		128,235,849	98,060,962

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees '000)	
Country wise		
Foreign (Meat segment)	-	54,270
Domestic	128,235,849	98,006,692
	128,235,849	98,060,962
29.3 Contract Balances		
Trade debts	2,061,629	3,161,372
Advance from customers	5,908,825	2,419,855

Owing to market conditions, credit sales decreased during the year and advances from customers increased from Rs. 2,000 million to Rs. 3,489 million as a result of increased demand for Holding Company's products. The transaction price allocated to unsatisfied performance obligations as at December 31, 2021 are expected to be recognized as revenue within 1 year.

	2021	2020
	(Rupees '000)	
Set out below is the amount of revenue recognized from:		
Amounts included in contract liabilities at the beginning of the year	2,419,855	193,815
Performance obligations satisfied in previous years	-	-
30 COST OF SALES		
Raw materials consumed	85,884,051	54,381,316
Packing materials consumed	2,787,272	2,641,859
Tagging cost	2,176	1,865
Fuel and power	1,406,964	1,239,916
Ash dumping	18,218	24,704
Chemicals and supplies consumed	458,424	619,749
Salaries, wages and benefits	30.1 3,266,376	3,260,667
Rent, rates and taxes	164,969	111,792
Insurance	310,951	357,551
Travel and conveyance	185,759	154,017
Repairs and maintenance	1,411,177	1,427,650
Provision for obsolete stores	19.1 61,240	78,985
Provision for stocks in trade	20.3 4,730	242,290
Communication, establishment and other expenses	614,493	420,596
Amortization	16.2 14,612	1,414
Depreciation	15.2 2,526,176	2,474,601
Opening stock - work-in-process	273,371	341,189
Closing stock - work-in-process	(160,307)	(273,371)
Cost of goods manufactured	99,230,652	67,506,790
Opening stock - finished goods	369,644	12,022,295
Closing stock - finished goods	(454,715)	(369,644)
Cost of sales	99,145,581	79,159,441

30.1 This includes charge on account of employees' retirement benefits in respect of gratuity and provident fund, and compensated absences amounting to Rs. 56,309 thousand, Rs. 70,462 thousand and Rs. 143,171 thousand (2020: Rs. 64,288 thousand, Rs. 75,275 thousand and Rs. 40,867 thousand), respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees '000)	
31	SELLING AND DISTRIBUTION EXPENSES		
	Product transportation	4,561,639	3,973,461
	Provision for doubtful advances 22.2	-	59,818
	Write off / provision for Sales tax refundable	20,209	40,118
	Marketing expenses of group		
	Salaries, wages and benefits 31.1	310,151	211,887
	Rent, rates and taxes	8,615	9,514
	Insurance	1,179	2,074
	Travel and conveyance	42,975	39,498
	Sales promotion and advertising	567,925	503,655
	Communication, establishment and other expenses	10,645	8,235
	Amortization 16.2	-	4,995
	Depreciation 15.2	14,127	43,524
		955,617	823,382
	Expenses allocated by Fauji Fertilizer Company Limited 31.2	1,309,168	1,544,439
		6,846,633	6,441,218

31.1 This includes charge on account of employees' retirement benefits in respect of gratuity and provident fund and compensated absences amounting to Rs. 7,541 thousand, Rs. 9,623 thousand and Rs. 4,319 thousand (2020: Rs. 3,405 thousand, Rs. 7,159 thousand and Rs. 2,201 thousand), respectively.

31.2 This represents common expenses allocated by Fauji Fertilizer Company Limited on account of marketing of FFBL's products based on an inter company services agreement.

		2021	2020
		(Rupees '000)	
32	ADMINISTRATIVE EXPENSES		
	Salaries, wages and benefits 32.1	1,381,623	1,010,437
	Travel and conveyance	47,586	50,094
	Utilities	49,819	46,548
	Printing and stationery	16,517	13,290
	Repairs and maintenance	149,182	153,784
	Communication, establishment and other expenses	78,433	74,928
	Rent, rates and taxes	7,644	9,174
	Insurance	12,153	12,688
	Donations 32.2	18,881	29,511
	Cost charged by FF	79,292	37,500
	Legal and professional	251,053	253,120
	Depreciation 15.2	220,960	201,037
	Amortization 16.2	18,781	19,040
	Miscellaneous	144,170	94,484
		2,476,094	2,005,635

32.1 This includes charge on account of employees' retirement benefits in respect of gratuity and provident fund and compensated absences amounting to Rs. 26,324 thousand, Rs. 30,630 thousand, Rs. 46,505 thousand (2020: Rs. 22,235 thousand, Rs. 32,689 thousand and Rs. 3,482 thousand), respectively.

32.2 During the year, the Group has not paid donation to any organization in which any director of the Holding Company or his spouse has interest.

Donation to following parties / organizations exceeded 10% of total donation expense or Rs. 1,000 thousands:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees '000)	
	Armed Forces Institute of Cardiology (AFIC)	5,000	-
	Fauji Foundation	11,000	24,000
	Pakistan Taekwondo Federation	-	650
	National Defence University	-	1,000
	Al - Mujtaba Education Trust	-	2,250
33	FINANCE COSTS		
	Mark-up on short term borrowings	835,659	2,683,303
	Mark-up on long term finance	3,690,766	4,456,820
	Mark-up on demand facility	134,309	909,309
	Mark-up on lease finance	9.4	83,530
	Amortisation of transaction cost	8	42,467
	Restructuring fee	8.4.1	78,320
	Bank charges	25,145	48,863
	Guarantee fee	42,177	41,847
	Interest on WPPF	2,034	-
		4,811,006	8,344,459
34	OTHER EXPENSES		
	Workers' (Profit) Participation Fund	11.3	461,400
	Workers' Welfare Fund		46,055
	Exchange loss - net		-
	Loss on sale of investment in associates	18.2.1	41,478
	Auditor's remuneration - Group		
	Fees - annual audit	3,906	3,625
	Fees - half yearly review	450	425
	Fees - review of Statement of Compliance with CCG	100	100
	Fees - reasonable assurance on Free float	105	105
	Other certification and services	517	1,467
	Out of pocket expenses	724	541
		5,802	6,263
	Others	48,034	-
		5,407,489	555,196
35	ALLOWANCE FOR EXPECTED CREDIT LOSSES		
	(Reversal) / provision for debtors	21.1	273,040
	Provision for other receivable	24.5	232,000
		751,353	505,040

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees '000)	
36	OTHER INCOME		
	Income from financial assets		
	Profit on bank balances and term deposits	1,377,373	707,581
	Fair value gain on mutual fund investments	22,648	380
	Cash dividend on mutual funds	22,363	-
		1,422,384	707,961
	Income from assets other than financial assets		
	Scrap sales and miscellaneous receipts	174,435	253,295
	Exchange gain - net	-	65,159
	Gain on sale of property, plant and equipment	63,603	138,442
	Gain on termination of lease	31,591	19,007
	Commercial slaughtering	86,761	-
	Technical services	33,946	-
	Miscellaneous income	106,421	77,042
		1,919,141	1,260,906
37	TAXATION		
	Current tax		
	For the period	6,118,047	1,903,007
	Prior period	-	50,463
		6,118,047	1,953,470
	Deferred tax		
	For the period	(353,933)	1,519,637
		5,764,114	3,473,107
37.1	Reconciliation of tax charge for the year:		
	Profit before tax	14,989,099	9,506,615
	Tax on profit (29%)	4,346,839	2,756,918
	Tax effect of lower rate on certain income / expenses	(3,130)	(493,265)
	Tax effect of exempt income / permanent differences	(83,291)	(230,248)
	Tax effect of gain on disposal of FWEL - I & II and dividend	1,172,803	-
	Effect of Minimum tax	123,483	658,351
	Alternative Corporate Tax	(14,586)	7,699
	Tax effect of unused tax losses	1,568,805	286,640
	Tax effect of profit of associates	(1,449,051)	325,112
	Tax effect of profit of subsidiary	133,364	171,353
	Tax effect of prior year adjustment	(34,067)	14,382
	Others	2,945	(23,835)
		5,764,114	3,473,107

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020 Restated
38	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit attributable to equity holders of the Holding Company (Rupees in thousands)	8,956,848	6,455,337
	Weighted average number of ordinary shares in issue during the year (thousands)* 38.1	1,288,450	1,035,480
	Earnings per share - basic and diluted (Rupees)	6.95	6.23

There is no dilutive effect on the basic earnings per share of the Group for the year 2021.

- 38.1** As disclosed in note 4.3, the Holding Company has allotted, under a right issue, 357,142,857 ordinary shares (i.e. 38.2335% of existing ordinary shares of Rs. 10 per share) at Rs. 14 per share. In accordance with requirements of relevant accounting standard, the weighted average number of ordinary shares outstanding during the previous year were already adjusted for the bonus element in the right issue, by applying adjustment factor of 1.1085, in prior year.

** The weighted average number of shares takes into account the weighted average effect of changes in ordinary shares during the year.*

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees '000)	
39	CASH GENERATED FROM OPERATING ACTIVITIES		
	Profit before taxation	14,989,099	9,506,615
	Adjustments for:		
	Provision for gratuity	91,281	89,928
	Exchange loss - net	1,690,387	65,159
	Provision for compensated absences	196,471	46,550
	Allowance / provision for other receivables	782,000	232,000
	Unwinding / (remeasurement gain) on GIDC	1,253,839	(2,740,855)
	Provision for advances	-	59,818
	Provision for sales tax refundable	20,209	40,118
	Amortization of transaction cost	37,602	42,467
	Mark-up on lease finance	43,314	83,530
	Non cash adjustment in PPE	33,392	-
	Provision for Workers' (Profit) Participation Fund	822,550	461,400
	Provision for Workers' Welfare Fund	453,875	46,055
	Depreciation and amortization	2,794,656	2,744,611
	Finance costs	4,730,090	8,218,462
	Fair value gain on mutual fund investments	(22,648)	(380)
	Share of profit of joint venture and associates	(5,526,104)	(4,454,881)
	(Reversal) / provision for doubtful trade debts	(30,647)	273,040
	Transaction cost	48,034	-
	Allowance for input tax	393,727	713,549
	Provision for stores and spares	61,240	78,985
	Provision for stock in trade	4,730	242,290
	Loss on sale of investment in associates	2,386,841	41,478
	Profit on bank balances and term deposits	(1,400,021)	(707,581)
	Cash dividend on mutual funds	(22,363)	-
	Gain on termination of lease	(31,591)	(19,006)
	Gain on sale of property, plant and equipment	(63,603)	(138,442)
		23,736,360	14,924,910
	Changes in:		
	Stores and spares	(30,712)	(10,435)
	Stock in trade	(8,292,461)	12,561,624
	Trade debts	1,130,390	6,976,801
	Advances	302,278	(59,822)
	Trade deposits and short term prepayments	(33,618)	22,246
	Other receivables	(684,470)	1,235,528
	Sales tax refundable	(4,848,019)	(521,562)
	Trade and other payables	17,231,266	1,739,301
	Advances from customers	3,488,971	2,226,040
		8,263,625	24,169,721
		31,999,985	39,094,631

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2021		2020	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	54,129	1,111,329	30,808	1,604,650
Bonus paid	18,180	54,887	3,010	55,260
Contributory Provident Fund	3,543	234,528	1,362	24,152
Others	11,985	402,007	11,173	312,114
	87,837	1,802,751	46,353	1,996,176
No. of person(s)	2	243	2	264

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Group's maintained vehicles and household equipment and other benefits in accordance with the Group's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs. 17,077 thousand (2020: Rs. 17,553 thousand) on separation in accordance with the Group's policy.

In addition, the directors of the Group are paid meeting fees, aggregating Rs. 49,105 thousand (2020: Rs. 22,955 thousand).

As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

41 FINANCIAL INSTRUMENTS

The Group 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 Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

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

41.1 Credit risk

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

Notes to the Consolidated Financial Statements

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	2021	2020
	(Rupees '000)	
Trade debts	2,061,629	3,161,372
Deposits	178,172	175,091
Advances	142,405	99,881
Interest accrued	5,579	851
Other receivables - net of provision	4,524,065	5,069,025
Short term investments	5,601,349	1,560,936
Bank balances	39,347,382	28,341,892
	51,860,581	38,409,048

Geographically there is no concentration of credit risk.

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

The Holding Company has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 2,523,902 thousand (2020: Rs. 1,827,496 thousand) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The remaining amount includes receivable from the Government of Pakistan amounting to Rs. 3,160,992 thousand (2020: Rs. 3,160,992 thousand) on account of subsidy income.

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

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

41.2 Credit quality of financial assets

The credit quality of Group's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2021	2020
		(Rupees '000)	
Trade debts			
Counterparties without external credit ratings			
Existing customers with no default in the past	Unrated	680,928	2,176,025
Counterparties with external credit rating			
K-Electric Limited	A1+	1,380,701	985,347
Deposits			
Counterparties without external credit ratings			
Others	Unrated	178,172	175,091
Advances			
Counterparties without external credit ratings			
Others	Unrated	142,405	99,881

Notes to the Consolidated Financial Statements

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	Rating	2021 (Rupees '000)	2020
Interest accrued			
Counterparties with external credit ratings			
	AA+	5,579	592
	A-	-	259
		5,579	851
Other receivables			
Counterparties with external credit ratings			
Receivable from related parties	AA+	2,523,902	1,827,496
Counterparties without external credit ratings			
Receivable from Government of Pakistan	Unrated	3,160,992	3,160,992
Receivable from others including related parties	Unrated	1,160,829	80,537
		6,845,723	5,069,025
Short term investments			
Counterparties with external credit ratings			
	AAA	2,501,027	-
	AA+	2,100,000	1,540,000
	AA-	1,000,322	-
	A-	-	20,936
		5,601,349	1,560,936
Bank balances			
Counterparties with external credit ratings			
	AAA	6,152,639	11,347,479
	AA+	21,364,760	4,576,942
	AA	1,572,679	5,704,522
	AA-	5,222,294	2,061,556
	A+	3,454,152	1,340
	A	502,796	2,015,557
	A-	1,078,062	2,634,496
		39,347,382	28,341,892

Impairment losses

As at reporting date, the age analysis of trade debts is as follows:

Aging	2021 (Rupees '000)		2020 (Rupees '000)	
	Gross	Impairment	Gross	Impairment
1-30 days	1,940,330	453	1,711,051	27,290
31-60 days	167	94	508,890	395
61-90 days	624	374	567,185	775
91-365 days	85,467	4,125	395,784	9,060
Over 365 days	1,365,810	1,348,180	1,362,335	1,346,353
	3,392,398	1,353,226	4,545,245	1,383,873

The following table provides information about the exposure to credit risk and ECL for trade debts of FML at December 31, 2021.

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	Weighted average loss rate	Gross carrying amount	Allowance for expected credit losses	Credit impaired
	Percentage	Rupees ('000)		
1-30 days	37%	1,223	453	No
31-60 days	56%	167	94	No
61-90 days	60%	624	374	No
91-365 days	83%	4,971	4,125	No
Over 365 days	99%	1,317,096	1,299,136	No
		1,324,081	1,304,182	

An impairment analysis of trade debts is performed at each reporting date using provision matrices to measure expected credit losses (ECL). The probability of default (PD) rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability - weighted outcome, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions. Whereas, the loss given default, in respect of the Holding Company's trade debts, is based upon external credit rating of banks who have issued the letter of guarantees to the customers. Accordingly, the Holding Company assess that any ECL on its trade debts will be minimal. Any ECL on trade debts of FPCL is also minimal. Whereas, FML, FPCL and FFL have recognized allowance for ECL amounting to Rs.1,304,182 thousand, Rs. 26,587 thousand and Rs. 22,456 thousand (2020: Rs. 1,334,831 thousand, Rs. 26,587 thousand and Rs. 22,456 thousand), respectively.

As per historical pattern, the amount due from Fauji Fertilizer Company Limited is settled within a week. Accordingly, there is no significant risk of ECL in respect of this balance. Similarly, amounts from other related parties are settled in normal course of business and there is no significant risk of ECL.

The amount of subsidy receivable is linked to a sovereign entity, who can print the currency which is routinely held by Central Bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions, and reasonable and supportable forecasts. Therefore, the Holding Company does not expect any significant ECL, as at the reporting date, excluding impact of time value of money.

Being low risk instruments, the Group has assessed an allowance on its balances with banks based on 12 months ECL. Based upon above mentioned high credit ratings, ECL rate on bank balances and short term investments round to zero.

In the previous years, the Holding Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its short term investment as explained in note 18.4.

41.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. The management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Group 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 Group maintains lines of credit as mentioned in note 13 to the consolidated financial statements.

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

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	Carrying amount	Contractual cash flows	Less than one year (Rupees '000)	One to five years	Five years onwards
2021					
Short term loans	40,730,068	52,274,392	8,920,143	43,354,249	-
Lease liability	227,143	293,762	89,592	204,170	-
Trade and other payables	54,787,810	58,195,060	49,354,580	8,840,480	-
Short term borrowings including mark-up	19,563,409	19,563,409	19,563,409	-	-
	115,308,430	130,326,623	77,927,724	52,398,899	-
	Carrying amount	Contractual cash flows	Less than one year (Rupees '000)	One to five years	Five years onwards
2020					
Short term loans	45,370,009	55,944,549	9,735,166	45,429,417	779,966
Lease liability	455,779	683,607	127,253	556,354	-
Trade and other payables	34,718,311	37,459,566	23,035,625	14,423,941	-
Short term borrowings including mark-up	23,106,304	-	23,106,304	-	-
	103,650,403	117,194,026	56,004,348	60,409,712	779,966

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

- 41.3.1** The contractual cash flow relating to short term borrowings and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates as at reporting date have been disclosed in note 8 and note 13 to these consolidated financial statements respectively.

41.4 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 incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Group is exposed to currency and interest rate risk only.

41.4.1 Currency risk

Exposure to currency risk

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

	2021		
	Rupees '000	US Dollar '000	EURO '000
Bank balances	3,472	20	-
Trade debts	1,371,354	7,709	-
Creditors	(27,138,976)	(134,946)	-
Net exposure	(25,764,150)	(127,217)	-

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	2020		
	Rupees '000	US Dollar '000	EURO '000
Bank balances	2,042	13	-
Trade debts	1,296,342	8,012	-
Creditors	(8,849,093)	(44,767)	-
Net exposure	(7,550,709)	(36,742)	-

The following significant exchange rate applied during the year:

	Average rates		Spot rate (Bid-Offer average)	
	2021	2020	2021	2020
US Dollars	163.35	162.71	177.89	161.80
Euro	192.18	185.64	201.11	197.67

Sensitivity analysis

FFBL

A 10% strengthening of the functional currency against USD at 31 December would have increased profit by Rs. 2,400,205 thousand (2020: Rs. 596,135 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

FPCL

At December 31, 2021, if the currency had weekend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the profit before tax would have been Rs. 146,030 thousand (2020: Rs. 260,620 thousand) lower/higher.

FFL

At December 31, 2021, if the currency had weekend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the loss before tax would have been Rs. Nil (2020: Rs. Nil) lower/higher.

FML

At December 31, 2021, if the currency had weekend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the loss after tax would have been Rs. 1,760 thousand (2020: Rs. 1,630 thousand) lower/higher.

41.4.2 Interest rate risk

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

	2021 (Rupees '000)	2020
Fixed rate instruments		
Financial assets	5,601,349	1,560,936
Financial liabilities	2,428,974	4,449,987
Variable rate instruments		
Financial assets	37,841,459	23,131,888
Financial liabilities	57,261,165	63,722,800

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Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2021		
Cash flow sensitivity-Variable rate instruments	(194,197)	194,197
December 31, 2020		
Cash flow sensitivity-Variable rate instruments	(405,909)	405,909

41.4.3 Market price risk

For investments at fair value through profit or loss, a 1% increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 83,417 (2020: Rs. Nil).

41.5 Fair values

Fair value versus carrying amounts

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

Note	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	(Rupees '000)			
Assets carried at amortized cost				
Trade debts - net of provision	21	2,061,629	2,061,629	3,161,372
Deposits		178,172	178,172	175,091
Advances	22	142,405	142,405	99,881
Interest accrued - net of provision		5,579	5,579	851
Other receivables - net of provision	24	4,524,065	4,524,065	5,069,025
Short term investments	26	5,601,349	5,601,349	1,560,936
Cash and bank balances	27	39,350,233	39,350,233	28,345,266
		51,863,432	51,863,432	38,412,422
Assets carried at fair value				
Short term investments-Investments at fair value through profit or loss	26	8,341,700	8,341,700	-
Liabilities carried at amortized cost				
Short term loans including mark-up	8 & 12	40,730,068	40,730,068	45,370,009
Trade and other payables	11	54,787,810	54,268,420	34,718,311
Finance lease liability including mark-up		227,143	227,143	455,779
Short term borrowings including mark-up		19,563,409	19,563,409	23,106,304
		115,308,430	114,789,040	103,650,403

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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 the market rate and rate of the instruments and most of the fixed rate instruments are short term in nature, therefore 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).

	Level 1	Level 2	Level 3
	(Rupees '000)		
December 31, 2021			
Assets carried at fair value			
Short term investments - investment in mutual funds	8,341,700	-	-
December 31, 2020			
Assets carried at fair value			
Short term investments - investment in mutual funds	-	-	-

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

41.6 Determination of fair values

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

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

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

Investment in mutual funds

The investment in quoted funds are determined by reference to bid price offered by the respective asset management company at the reporting date at level 1 in fair value hierarchy.

Investment in associate

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

Non-derivative financial assets

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

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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.

Fair value of investment property

The fair value, which is determined for disclosure purposes, are classified as level 3 in fair value hierarchy.

41.7 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 Group 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 Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

The total long term finance to equity ratio as at December 31, 2021 based on total long term finance of Rs. 40,544,393 thousand and total equity of Rs. 32,932,272 thousand was 1.23:1 (2020: 2.01:1)

The Group finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

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42 RELATED PARTY TRANSACTIONS

Fauji Fertilizer Company Limited (FFCL) has 49.88% share holding in FFBL (2020: 49.88%). While Fauji Foundation (FF) holds 18.29% shares (2020: 18.29%) in the Company. The Group has related parties which comprise of a joint venture, entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The carrying value of investment in associates and joint venture are disclosed in note 18 to the consolidated financial statements.

	2021	2020
	(Rupees '000)	
Transactions with Fauji Foundation		
Dividend paid	686,156	665,531
Advance against Equity	-	914,466
Contribution for Institute of Cardiology (AFIC)	12,400	7,400
Donation paid	30,790	16,600
Services received	132,474	58,838
Services provided	2,903	-
Proceeds from sale of vehicles	-	11,500
Payments against services	119,284	32,368
Balance payable	24,002	33,632
Transactions with associated undertakings due to common directorship		
Fauji Fertilizer Company Limited		
Services and material acquired	1,310,917	1,547,455
Services and material provided	1,533	1,814
Receipts under consignment and current account	114,970,112	94,139,337
Commission charged	25,831	29,717
Advance against Equity	-	2,493,775
Proceeds from disposal of investment	5,256,007	-
Askari Bank Limited		
Balances at bank	17,719,439	1,818,823
Profit on bank balances	549,737	301,194
Short term loans	646,544	902,626
Mark-up on short term loans	85,558	55,098
Mark-up payable on short term loans	42,371	24,148
Running finance	-	830,830
Lease liability	-	15,700
Dividend received	815,652	407,826
Foundation Wind Energy-I Limited & Foundation Wind Energy-II Limited		
Dividend received	218,750	-
Transactions with joint venture		
Pakistan Maroc Phosphate		
Purchase of raw materials	64,542,221	32,790,377
Expenses incurred on behalf of joint venture company	5,214	-
Balance payable at the year end - secured (included in note 11)	24,004,647	5,890,871
Balance receivable at the year end - unsecured (included in note 23)	8,852	5,622
Dividend received	1,025,064	671,290
Dividend receivable	-	447,430

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	2021	2020
	(Rupees '000)	
Other related parties		
Contribution to provident fund	139,516	157,467
Payment to gratuity fund	73,019	118,062
Payment to Workers' (Profit) Participation Fund and Worker's Welfare Fund	977,950	206,050
Payment to Fauji Security Services (Private) Limited	1,880	1,880
Payment to Noon Sugar Mills	39,531	52,663
Balance payable at the year end - unsecured (WPPF and WWF)	1,189,014	888,505
Payable to gratuity fund	271,085	263,360
Payable to provident fund	14,366	8,446
Meeting fee to directors	49,105	22,955
Fauji Cereals for purchase of goods	5,381	4,327
Expenses on behalf of Askari General Insurance Company Limited	31,445	-
Remuneration of key management personnel		
Short term benefits	370,448	289,272
Post employment benefits	43,597	55,754

In addition to above:

42.1 Detail of related parties

Name of related party	Basis of relationship	Percentage holding
Fauji Foundation (FF)	Common Directorship	-
Fauji Fertilizer Company Limited (FFCL)	Common Directorship	-
Pakistan Maroc Phosphore (PMP)	Joint Venture / Common directorship	25.00%
Askari Bank Limited (AKBL)	Associate Company / Common directorship	21.57%
FFBL Gratuity Fund	Employee benefit fund	-
FFBL Provident fund	Employee benefit fund	-
FFBL Workers' (Profit) Participation Fund	Employee benefit fund	-
Fauji Security Services (Pvt) Limited	Associated Undertaking / Common directorship	-
FFL Provident fund	Employee benefit fund	-

43 INFORMATION ABOUT REPORTABLE SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive and Managing Director. The Chief Executive and Managing Director considers the business from the products perspective. As at December 31, 2020 the Group is organized into four main operating segments based on its products:

- Fertilizer;
- Power;
- Meat; and
- Food

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Information related to each reportable segment is set out below. Segment profit / (loss) before tax, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment, relative to other entities that operate in the same industries.

	2021					
	Fertilizers	Power	Meat	Food	Consolidation adjustments / eliminations	Total
	(Rupees '000)					
Segment revenues	110,452,174	20,722,080	99,445	8,586,397	(11,624,247)	128,235,849
Segment profit / (loss) before tax	11,524,803	3,828,385	(1,108,951)	(1,507,495)	2,252,357	14,989,099
Other income	9,110,971	218,749	133,800	85,165	(7,629,544)	1,919,141
Finance costs	2,338,107	1,467,325	563,659	1,155,050	(713,135)	4,811,006
Depreciation	964,054	1,133,623	313,751	398,183	(48,348)	2,761,263
Share of profit of equity - accounted investees	-	-	-	-	5,526,104	5,526,104
Segment assets (excluding short term investments)	89,098,501	37,992,049	6,395,588	12,562,253	(6,191,486)	139,856,905
Equity accounted investees	-	-	-	-	20,468,042	20,468,042
	89,098,501	37,992,049	6,395,588	12,562,253	14,276,556	160,324,947
Capital expenditure	307,670	253,504	2,883	34,598	-	598,655
Segment liabilities (total)	94,277,287	22,451,188	6,945,433	10,601,152	(6,504,607)	127,770,453
Short term loans	20,925,006	13,679,456	500,000	6,038,607	(500,000)	40,643,069
Short term borrowings	10,987,861	5,999,606	5,698,549	1,934,714	(5,698,549)	18,922,181

	2020					
	Fertilizers	Power	Meat	Food	Consolidation adjustments / eliminations	Total
	(Rupees '000)					
Segment revenues	83,234,360	16,643,650	427,850	7,373,162	(9,618,060)	98,060,962
Segment profit / (loss) before tax	4,892,816	3,990,989	(1,547,895)	(2,766,599)	4,937,304	9,506,615
Other income	5,183,896	198,346	102,458	85,192	(4,308,986)	1,260,906
Finance costs	4,444,122	1,998,647	646,327	1,752,267	(496,904)	8,344,459
Depreciation	926,336	1,105,424	331,992	403,246	(47,836)	2,719,162
Share of profit / (loss) of equity - accounted investees	-	-	-	-	4,454,881	4,454,881
Segment assets (excluding short term investments)	66,422,049	34,586,728	6,790,018	11,945,684	(9,287,335)	110,457,144
Equity accounted investees	-	-	-	-	24,287,166	24,287,166
	66,422,049	34,586,728	6,790,018	11,945,684	14,999,831	134,744,310
Capital expenditure	711,315	607,494	7,397	157,587	-	1,483,793
Segment liabilities (total)	77,009,047	19,934,962	6,229,152	15,802,321	(6,301,465)	112,674,017
Short term loans	22,241,668	15,802,204	1,459,442	6,167,583	(500,000)	45,170,897
Short term borrowings	15,822,065	1,503,262	4,047,081	7,800,298	(6,490,317)	22,682,389

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43.1 Reconciliation of information on reportable segments to applicable financial reporting standards

	2021	2020
	(Rupees '000)	
Revenue for reportable segments	128,235,849	98,060,962
Consolidated Revenue	128,235,849	98,060,962
Profit / (loss) before tax for reportable segments	12,736,742	4,569,311
Less:		
Dividend income from group companies	(3,670,505)	(3,523,140)
Add:		
Share of profit of joint venture and associates - net	5,526,104	4,454,881
Reduction in depreciation charge / intergroup adjustment	314	47,836
Reversal of impairment	2,102,788	4,082,212
Reversal of ECL	3,472,304	-
Loss on sale of associates	(2,386,841)	(41,478)
Reversal of gain on sale of FWEL I & II / FCCL	(2,795,442)	(84,253)
Intergroup elimination	3,635	1,246
Consolidated profit before tax from continuing operations	14,989,099	9,506,615
Segment assets (excluding short term investments)	146,048,391	50,758,404
Less:		
Gain on sale of a land and others assets by Holding Company to subsidiaries	(1,229,789)	(1,229,789)
Inter-group eliminations	(2,912,068)	(1,695,998)
Inter-group adjustment	135,311	87,464
Reversal of ECL - FML loan	504,265	-
Reversal of ECL - FML loan	2,968,039	-
Loan from FFBL to subsidiaries	(6,198,549)	(6,990,317)
Add:		
Inter-company adjustment - Pre-COD sale of fuel	541,305	541,305
Consolidated total assets	139,856,905	41,471,069
Total liabilities for reporting segments	134,275,060	118,975,482
Add:		
Deferred tax on associate and joint venture	1,519,314	1,451,295
Deferred tax on subsidiary	1,043,004	909,640
Reversal of deferred tax	19,777	-
Contingent liability	23,915	23,915
Less:		
Inter-group eliminations	(2,912,068)	(1,695,998)
Loan from FFBL to subsidiaries	(6,198,549)	(6,990,317)
Consolidated total liabilities	127,770,453	112,674,017

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021			
	(Rupees '000)			
	Other income	Finance Costs	Capital expenditure	Depreciation
Other material items				
Reportable segments Total	9,548,685	5,524,141	598,655	2,809,611
Less:				
Dividend income from group companies	(3,670,505)	-	-	-
Reversal of gain on sale of FCCL	(2,795,443)	-	-	-
Reclassification of exchange loss	-	-	-	-
Inter-company adjustment	(1,163,596)	(713,135)	-	-
Reduction in depreciation	-	-	-	(48,348)
Consolidated Total	1,919,141	4,811,006	598,655	2,761,263
	2020			
	(Rupees '000)			
	Other income	Finance Costs	Capital expenditure	Depreciation
Other material items				
Reportable segments Total	5,569,892	8,841,363	1,483,793	2,766,998
Less:				
Dividend income from group companies	(3,523,140)	-	-	-
Reversal of gain on sale of FCCL	(84,253)	-	-	-
Reclassification of exchange loss	(8,707)	-	-	-
Inter-company adjustment	(692,886)	(713,135)	-	-
Reduction in depreciation	-	-	-	(47,836)
Consolidated Total	1,260,906	8,128,228	1,483,793	2,719,162

43.2 There were no major customers of the Group which formed part of 10 percent or more of the Group's revenue.

43.3 All of the Group's assets (except for its investment in a joint venture) are situated in Pakistan.

44 GENERAL

	Unit	2021	2020
44.1 Fauji Fertilizer Bin Qasim Limited (FFBL)			
Design capacity			
Urea	Tonnes	551,100	551,100
DAP	Tonnes	650,000	650,000
Actual production			
Urea	Tonnes	501,236	558,932
DAP	Tonnes	790,415	739,968

The actual production of Urea was below the design capacity of the plant; mainly owing to focus on DAP and low gas pressure.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

44.2 FFBL Power Company Limited (FPCL)

	Unit	2021	2020
Electricity			
Installed capacity based on 8,760 hours (2020: 8,760 hours)	Megawatt	543,558	543,558
Actual energy delivered	Megawatt	579,100	590,189
Steam			
Installed capacity based on 8,760 hours (2020: 8,760 hours)	Metric ton	1,489,200	1,489,200
Actual energy delivered	Metric ton	1,369,156	1,475,256
The variation in production of electricity & steam depends upon availability of plant and demand from customer in addition to shutdown for annual turn around (maintenance).			

	Unit	2021	2020
44.3 Fauji Meat Limited (FML)			
Design capacity*			
Meat	Metric ton	30,000	30,000
Actual production			
Meat	Metric ton	4,634	3,409
Actual production is based on demand of meat products of FML during the year.			
*At single shift of 08 hours per day and 25 operating days in a month.			

	Unit	2021	2020
44.4 Fauji Foods Limited (FFL)			
Design capacity			
Liquid products	Litres	221,920,000	221,920,000
Non-liquid products	Kgs	6,743,675	6,743,675
Actual production			
Liquid products	Litres	57,077,538	61,144,281
Non-liquid products	Kgs	3,906,943	1,940,207
Actual production is based on demand of milk products of FFL during the year.			

	2021	2020
44.5 Number of persons employed		
Total employees on year end	1,758	1,904
Average employees during the year	1,841	2,128

44.6 Employees Provident Fund

Investments out of provident fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the rules formulated thereunder.

44.7 Impact of COVID-19

On January 31, 2020, the World Health Organization (WHO) announced a global health emergency due to Corona virus. Because of the rapid increase in exposure globally, on March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The Government of Pakistan has from time to time imposed temporary restrictions on movement. The Group had adopted the required regulations. The plant operations of the Holding Company and its subsidiaries remained broadly unaffected and there has been no significant effect on sales. Accordingly, till date there have been no effects on these consolidated financial statements as well as operational results of the Holding

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

Company and its subsidiaries. Management of the Group is also not expecting any significant disruptions in the future. Management, however, continue to evaluate it's effect till the date of authorization of these consolidated financial statements for current and next year.

- 44.8** Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation of transactions and events, for the purposes of comparison.

Significant reclassification consists of following:

From	To	(Rupees '000)
Stores and spares	Property, plant and equipment	1,059,271

The impact of above reclassification on the comparative amounts in the consolidated statement of profit or loss is not significant; accordingly, the related amounts have not been restated. The impact of reclassification on financial position as of January 01, 2020 is not significant, accordingly no consolidated statement of financial position as of that date has been included in these financial statements.

- 44.9** The Board of Directors of Holding Company in their meeting held on January 26, 2022 have proposed a final dividend of Rs. Nil per ordinary share. This appropriation has not been accounted for in these consolidated financial statements.

- 44.10** These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on January 26, 2022.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER



Shareholders' Information

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Pattern of Shareholding - FFBL

As at December 31, 2021

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
997	1	-	100	48,528
3377	101	-	500	1,528,774
2452	501	-	1,000	1,994,985
3758	1,001	-	5,000	10,305,104
1256	5,001	-	10,000	9,651,361
564	10,001	-	15,000	7,228,332
317	15,001	-	20,000	5,681,095
253	20,001	-	25,000	5,787,086
190	25,001	-	30,000	5,361,417
118	30,001	-	35,000	3,918,815
76	35,001	-	40,000	2,888,983
66	40,001	-	45,000	2,821,524
96	45,001	-	50,000	4,719,874
48	50,001	-	55,000	2,524,168
55	55,001	-	60,000	3,170,175
35	60,001	-	65,000	2,199,766
32	65,001	-	70,000	2,190,349
34	70,001	-	75,000	2,504,556
22	75,001	-	80,000	1,731,462
15	80,001	-	85,000	1,256,906
20	85,001	-	90,000	1,762,777
15	90,001	-	95,000	1,386,380
55	95,001	-	100,000	5,472,933
18	100,001	-	105,000	1,856,004
12	105,001	-	110,000	1,297,126
14	110,001	-	115,000	1,573,934
10	115,001	-	120,000	1,181,776
15	120,001	-	125,000	1,861,872
8	125,001	-	130,000	1,024,158
8	130,001	-	135,000	1,057,678
12	135,001	-	140,000	1,656,241
9	140,001	-	145,000	1,290,805
18	145,001	-	150,000	2,680,682
6	150,001	-	155,000	911,170
9	155,001	-	160,000	1,421,461
2	160,001	-	165,000	322,500
5	165,001	-	170,000	844,380
6	170,001	-	175,000	1,043,371
3	175,001	-	180,000	534,128
1	180,001	-	185,000	185,000
2	185,001	-	190,000	378,924
3	190,001	-	195,000	574,223
19	195,001	-	200,000	3,793,229
9	200,001	-	205,000	1,821,599

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
4	205,001	-	210,000	829,592
4	210,001	-	215,000	854,879
3	215,001	-	220,000	656,526
6	220,001	-	225,000	1,340,764
5	225,001	-	230,000	1,141,102
6	230,001	-	235,000	1,397,817
1	235,001	-	240,000	235,146
2	240,001	-	245,000	485,908
5	245,001	-	250,000	1,243,750
1	250,001	-	255,000	251,208
3	255,001	-	260,000	776,345
2	260,001	-	265,000	530,000
2	265,001	-	270,000	536,055
1	270,001	-	275,000	275,000
5	275,001	-	280,000	1,384,173
1	280,001	-	285,000	281,000
3	285,001	-	290,000	864,573
2	290,001	-	295,000	585,290
8	295,001	-	300,000	2,398,000
3	300,001	-	305,000	909,053
1	305,001	-	310,000	307,333
2	310,001	-	315,000	624,437
4	315,001	-	320,000	1,275,000
1	320,001	-	325,000	324,000
2	325,001	-	330,000	652,500
4	330,001	-	335,000	1,333,525
1	340,001	-	345,000	344,730
2	345,001	-	350,000	694,083
2	350,001	-	355,000	705,736
1	360,001	-	365,000	361,311
1	365,001	-	370,000	367,058
1	375,001	-	380,000	379,000
1	380,001	-	385,000	381,500
2	385,001	-	390,000	776,818
1	390,001	-	395,000	391,253
2	395,001	-	400,000	797,120
2	400,001	-	405,000	805,192
2	410,001	-	415,000	829,400
3	415,001	-	420,000	1,255,607
2	430,001	-	435,000	865,494
1	435,001	-	440,000	437,466
1	440,001	-	445,000	445,000
1	445,001	-	450,000	450,000
1	450,001	-	455,000	450,670

Pattern of Shareholding - FFBL

As at December 31, 2021

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
3	455,001	-	460,000	1,372,500
1	460,001	-	465,000	460,360
4	465,001	-	470,000	1,870,253
1	475,001	-	480,000	475,823
1	480,001	-	485,000	483,126
5	495,001	-	500,000	2,497,500
1	500,001	-	505,000	503,861
1	510,001	-	515,000	514,919
1	525,001	-	530,000	525,100
1	530,001	-	535,000	532,198
1	545,001	-	550,000	550,000
1	550,001	-	555,000	554,000
2	555,001	-	560,000	1,114,433
1	560,001	-	565,000	560,607
1	580,001	-	585,000	583,500
4	595,001	-	600,000	2,395,500
1	600,001	-	605,000	604,500
1	615,001	-	620,000	618,500
1	635,001	-	640,000	635,874
1	645,001	-	650,000	650,000
1	695,001	-	700,000	698,000
3	700,001	-	705,000	2,108,929
1	710,001	-	715,000	712,500
1	740,001	-	745,000	741,500
1	760,001	-	765,000	765,000
1	770,001	-	775,000	774,107
4	795,001	-	800,000	3,191,724
1	820,001	-	825,000	825,000
1	825,001	-	830,000	829,400
1	860,001	-	865,000	863,959
1	895,001	-	900,000	900,000
3	905,001	-	910,000	2,727,770
1	980,001	-	985,000	984,351
2	995,001	-	1,000,000	2,000,000
1	1,000,001	-	1,005,000	1,000,810
1	1,010,001	-	1,015,000	1,014,512
2	1,020,001	-	1,025,000	2,045,768
1	1,050,001	-	1,055,000	1,052,500
1	1,060,001	-	1,065,000	1,064,397
1	1,095,001	-	1,100,000	1,100,000
1	1,130,001	-	1,135,000	1,134,896
1	1,140,001	-	1,145,000	1,142,500
1	1,160,001	-	1,165,000	1,164,836
1	1,190,001	-	1,195,000	1,190,503

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
1	1,195,001	-	1,200,000	1,200,000
1	1,250,001	-	1,255,000	1,255,000
2	1,255,001	-	1,260,000	2,515,848
1	1,270,001	-	1,275,000	1,273,500
1	1,295,001	-	1,300,000	1,300,000
1	1,325,001	-	1,330,000	1,326,000
1	1,395,001	-	1,400,000	1,400,000
1	1,520,001	-	1,525,000	1,520,568
1	1,540,001	-	1,545,000	1,544,225
1	1,595,001	-	1,600,000	1,600,000
1	1,795,001	-	1,800,000	1,800,000
1	1,840,001	-	1,845,000	1,845,000
1	1,850,001	-	1,855,000	1,850,500
1	1,855,001	-	1,860,000	1,856,500
1	1,860,001	-	1,865,000	1,862,900
1	1,975,001	-	1,980,000	1,978,382
1	2,205,001	-	2,210,000	2,205,500
1	2,345,001	-	2,350,000	2,350,000
1	2,355,001	-	2,360,000	2,358,000
1	2,445,001	-	2,450,000	2,446,005
1	2,565,001	-	2,570,000	2,569,000
1	2,670,001	-	2,675,000	2,672,000
1	2,715,001	-	2,720,000	2,720,000
1	2,795,001	-	2,800,000	2,800,000
1	3,360,001	-	3,365,000	3,365,000
1	3,440,001	-	3,445,000	3,445,000
1	3,565,001	-	3,570,000	3,568,000
1	3,585,001	-	3,590,000	3,587,888
1	3,710,001	-	3,715,000	3,712,000
1	3,920,001	-	3,925,000	3,921,000
2	4,000,001	-	4,005,000	8,007,791
1	4,035,001	-	4,040,000	4,038,000
1	4,670,001	-	4,675,000	4,670,255
1	6,980,001	-	6,985,000	6,981,500
1	9,995,001	-	10,000,000	10,000,000
1	12,910,001	-	12,915,000	12,912,528
1	15,050,001	-	15,055,000	15,050,345
1	23,250,001	-	23,255,000	23,250,005
1	31,315,001	-	31,320,000	31,316,582
1	46,695,001	-	46,700,000	46,699,000
1	178,125,001	-	178,130,000	178,126,733
1	223,245,001	-	223,250,000	223,248,865
1	465,890,001	-	465,895,000	465,891,896
14259				1,291,252,857

Category Wise Shareholding - FFBL

As at December 31, 2021

Categories of shareholders

		Shares held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children.	99,728	0.01
2	Executives	-	-
3	Associated Companies, undertakings and related parties.		
	i- Fauji Fertilizer Company Ltd	644,018,629	49.88
	ii- Fauji Foundation	236,161,393	18.29
4	NIT and ICP	2,975,733	0.23
5	Banks, Development Financial Institutions, Non Banking Financial Institutions.	85,562,722	6.63
6	Insurance Companies	42,364,195	3.28
7	Modarabas and Mutual Funds	43,629,140	3.38
8	Share holders holding 10%		
	i- Fauji Fertilizer Company Ltd	644,018,629	49.88
	ii- Fauji Foundation	236,161,393	18.29
9	General Public		
	i. Local	187,314,464	14.51
	ii. Foreign	762,423	0.06
10	Others	48,364,430	3.75
	(Joint Stock Companies, Charitable Trusts, Non-resident Companies, Cooperative Societies, Various Funds etc)		
11	Shareholders holding five percent or more voting interest in the listed company (Name Wise)		
	i- Fauji Fertilizer Company Ltd	644,018,629	49.88
	ii- Fauji Foundation	236,161,393	18.29

کیٹیگری وائرسٹیر ہولڈنگ - ایف ایف بی ایل

31 دسمبر 2021

حصص یافتگان کی اقسام

فیصد	حصص کی تعداد
0.01	99,728
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49.88	644,018,629
18.29	236,161,393
0.23	2,975,733
6.63	85,562,722
3.28	42,364,195
3.38	43,629,140
49.88	644,018,629
18.29	236,161,393
14.51	187,314,464
0.06	762,423
3.75	48,364,430
49.88	644,018,629
18.29	236,161,393

1 - ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی شریک حیات اور چھوٹے بچے

2 - ایگزیکٹوز

3 - منسلک کمپنیاں، اقرارنامے اور متعلقہ کمپنیاں

i - فوجی فریڈلائز رکمپنی لمیٹڈ

ii - فوجی فاؤنڈیشن

4 - این آئی ٹی اور آئی سی پی

5 - بینک، ترقیاتی مالیاتی ادارے، غیر بینکاری مالیاتی ادارے

6 - بیمہ کمپنیاں

7 - مدار بہ کمپنیاں اور میوچل فنڈز

8 - دس فیصد حصص یافتگان

i - فوجی فریڈلائز رکمپنی لمیٹڈ

ii - فوجی فاؤنڈیشن

9 - عوام الناس

الف - ملکی (مقامی)

ب - غیر ملکی

10 - دیگر (جوائنٹ اسٹاک کمپنیاں، خیراتی ادارے، غیر ملکی کمپنیاں، کوآپریٹو سوسائٹیاں، مختلف

فنڈز)

11 - پانچ فیصد یا اس سے زیادہ کے حصص یافتگان

i - فوجی فریڈلائز رکمپنی لمیٹڈ

ii - فوجی فاؤنڈیشن

Pattern of Shareholding - FFBL Subsidiaries

As at December 31, 2021

Fauji Foods Limited

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
851	1	-	100	42,282
1398	101	-	500	634,915
1633	501	-	1,000	1,593,711
3650	1,001	-	5,000	10,735,845
1415	5,001	-	10,000	11,615,716
509	10,001	-	15,000	6,610,710
411	15,001	-	20,000	7,693,537
262	20,001	-	25,000	6,208,366
194	25,001	-	30,000	5,563,195
126	30,001	-	35,000	4,182,956
110	35,001	-	40,000	4,276,388
48	40,001	-	45,000	2,079,901
113	45,001	-	50,000	5,567,414
57	50,001	-	55,000	3,025,013
53	55,001	-	60,000	3,102,907
30	60,001	-	65,000	1,895,939
38	65,001	-	70,000	2,609,328
30	70,001	-	75,000	2,216,407
31	75,001	-	80,000	2,436,321
16	80,001	-	85,000	1,330,669
20	85,001	-	90,000	1,775,280
12	90,001	-	95,000	1,121,781
76	95,001	-	100,000	7,572,954
14	100,001	-	105,000	1,443,124
6	105,001	-	110,000	655,500
6	110,001	-	115,000	675,917
8	115,001	-	120,000	948,762
13	120,001	-	125,000	1,609,009
7	125,001	-	130,000	897,983
1	130,001	-	135,000	133,500
3	135,001	-	140,000	415,000
2	140,001	-	145,000	286,500
14	145,001	-	150,000	2,094,497
3	150,001	-	155,000	461,396
4	155,001	-	160,000	632,018
2	160,001	-	165,000	326,500
6	165,001	-	170,000	1,007,619
4	170,001	-	175,000	699,000
7	175,001	-	180,000	1,250,387
5	180,001	-	185,000	913,000
3	185,001	-	190,000	568,599
4	190,001	-	195,000	773,755
19	195,001	-	200,000	3,782,625

Fauji Foods Limited

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
4	200,001	-	205,000	807,857
4	205,001	-	210,000	834,966
2	210,001	-	215,000	422,000
3	215,001		220,000	654,602
4	220,001		225,000	889,500
5	225,001		230,000	1,142,500
2	230,001		235,000	462,000
3	235,001		240,000	716,772
2	240,001		245,000	488,092
4	245,001		250,000	1,000,000
4	250,001		255,000	1,013,500
1	255,001		260,000	256,358
3	260,001		265,000	786,788
2	265,001		270,000	540,000
4	270,001		275,000	1,097,000
1	275,001		280,000	280,000
4	285,001		290,000	1,147,500
1	290,001		295,000	291,000
7	295,001		300,000	2,100,000
1	305,001		310,000	305,658
4	310,001		315,000	1,258,000
1	330,001		335,000	335,000
2	350,001		355,000	707,000
1	355,001		360,000	360,000
1	360,001		365,000	364,496
1	365,001		370,000	370,000
3	370,001		375,000	1,120,476
3	375,001		380,000	1,136,764
2	390,001		395,000	788,401
6	395,001		400,000	2,395,950
1	405,001		410,000	408,000
1	410,001		415,000	410,500
2	425,001		430,000	850,196
2	435,001		440,000	877,500
1	440,001		445,000	444,000
2	445,001		450,000	893,078
1	450,001		455,000	455,000
1	460,001		465,000	463,500
1	470,001		475,000	474,896
1	480,001		485,000	481,135
1	485,001		490,000	487,500
9	495,001		500,000	4,495,857
1	505,001		510,000	508,500

Pattern of Shareholding - FFBL Subsidiaries

As at December 31, 2021

Fauji Foods Limited

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
1	510,001		515,000	514,000
1	535,001		540,000	540,000
2	555,001		560,000	1,115,572
1	560,001		565,000	563,500
2	575,001		580,000	1,157,989
1	585,001		590,000	585,287
1	595,001		600,000	596,500
1	600,001		605,000	600,500
1	610,001		615,000	610,666
1	630,001		635,000	635,000
1	655,001		660,000	659,500
1	680,001		685,000	681,600
1	695,001		700,000	700,000
1	705,001		710,000	708,726
1	710,001		715,000	710,897
1	715,001		720,000	719,000
1	740,001		745,000	744,500
1	760,001		765,000	761,500
1	775,001		780,000	778,122
1	780,001		785,000	784,000
2	785,001		790,000	1,577,592
1	865,001		870,000	867,000
1	885,001		890,000	887,683
1	895,001		900,000	900,000
1	985,001		990,000	985,995
6	995,001		1,000,000	6,000,000
1	1,000,001		1,005,000	1,000,525
1	1,020,001		1,025,000	1,023,000
1	1,135,001		1,140,000	1,140,000
1	1,145,001		1,150,000	1,150,000
1	1,170,001		1,175,000	1,171,500
1	1,260,001		1,265,000	1,260,500
1	1,295,001		1,300,000	1,300,000
1	1,325,001		1,330,000	1,328,500
1	1,450,001		1,455,000	1,450,045
1	1,480,001		1,485,000	1,481,000
1	1,495,001		1,500,000	1,500,000
1	1,650,001		1,655,000	1,650,500
2	1,695,001		1,700,000	3,399,356
1	1,780,001		1,785,000	1,782,000
1	1,830,001		1,835,000	1,833,743
1	1,845,001		1,850,000	1,845,784
2	1,850,001		1,855,000	3,706,812
1	1,855,001		1,860,000	1,857,698

Fauji Foods Limited

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
1	1,875,001		1,880,000	1,879,307
1	1,975,001		1,980,000	1,976,000
1	1,990,001		1,995,000	1,993,406
1	2,035,001		2,040,000	2,036,500
1	2,165,001		2,170,000	2,170,000
1	2,200,001		2,205,000	2,203,000
1	2,830,001		2,835,000	2,830,742
1	3,125,001		3,130,000	3,129,500
1	3,165,001		3,170,000	3,166,000
1	3,725,001		3,730,000	3,725,500
1	4,005,001		4,010,000	4,010,000
1	4,295,001		4,300,000	4,299,089
1	4,595,001		4,600,000	4,600,000
1	6,685,001		6,690,000	6,687,302
1	12,870,001		12,875,000	12,870,056
1	12,995,001		13,000,000	13,000,000
1	13,015,001		13,020,000	13,017,557
1	15,460,001		15,465,000	15,465,000
1	25,955,001		25,960,000	25,959,367
1	52,945,001		52,950,000	52,945,500
1	67,370,001		67,375,000	67,371,916
1	274,885,001		274,890,000	274,886,371
1	859,810,001		859,815,000	859,811,886
11400				1,584,088,159

Category Wise Shareholding - FFL

As at December 31, 2021

Categories of shareholders

	Shares held	Percentage
1 - Directors, Chief Executive Officers, and their spouse and minor children	148,923	0.0094
2 - Associated Companies, undertakings and related parties. (Parent Company)	1,202,073,173	75.8842
3 - NIT and ICP	8,300	0.0005
4 - Banks, Development Financial Institutions, Non Banking Financial Institutions.	1,845,784	0.1165
5 - Insurance Companies	53,010,083	3.3464
6 - Modarabas and Mutual Funds	10,839,681	0.6843
7 - Shareholders holding 10% or more	1,134,701,257	71.6312
8 - General Public		
a. Local	234,017,726	14.7730
b. Foreign	3,473,510	0.2193
9 - Others (to be specified)		
1- Investment Companies	323,000	0.0204
2- Joint Stock Companies	76,965,637	4.8587
3- Other Companies	1,382,342	0.0873

کیٹیگری وائز شیئر ہولڈنگ - ایف ایف بی ایل کی ماتحت کمپنیاں

31 دسمبر 2021

فوجی فوڈز لمیٹڈ

حصص یافتگان کی اقسام

فیصد	حصص کی تعداد
0.0094	148,923
75.8842	1,202,073,173
0.0005	8,300
0.1165	1,845,784
3.3464	53,010,083
0.6843	10,839,681
71.6312	1,134,701,257
14.7730	234,017,726
0.2193	3,473,510
0.0204	323,000
4.8587	76,965,637
0.0873	1,382,342

1 - ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی شریک حیات اور چھوٹے بچے

2 - شریک کمپنیاں، اقرارنامے اور متعلقہ جماعتیں (بنیادی کمپنی)

3 - این آئی ٹی اور آئی سی پی

4 - بینک، ترقیاتی مالیاتی ادارے، غیر بینکاری مالیاتی ادارے

5 - بیمہ کمپنیاں

6 - مدار بہ کمپنیاں اور میوچل فنڈز

7 - دس فیصد یا زیادہ حصص یافتگان

8 - عوام الناس

i - ملکی (مقامی)

ii - غیر ملکی

9 - دیگر (مخصوص)

i - انوسٹمنٹ کمپنیاں

ii - جوائنٹ اسٹاک کمپنیاں

iii - دیگر کمپنیاں

Pattern of Shareholding - Subsidiaries

As at December 31, 2021

FAUJI MEAT LIMITED

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
FAUJI FERTILIZER BIN QASIM LIMITED	1	688,499,986	90
FAUJI FOUNDATION	1	75,000,000	10
DIRECTORS	4	14	0.00
	6	763,500,000	100.00

FFBL POWER COMPANY LIMITED

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
FAUJI FERTILIZER BIN QASIM LIMITED	1	644,062,491	75.00
FAUJI FOUNDATION	1	214,687,500	25.00
DIRECTORS	9	9	0.00
	11	858,750,000	100.00

پیٹرن آف شیئر ہولڈنگ - ایف ایف بی ایل کی ماتحت کمپنیاں

31 دسمبر 2021

فوجی میٹ لمیٹڈ

فیصد	حصص کی تعداد	حصص یافتگان کی تعداد
90	688,499,986	1
10	75,000,000	1
00	14	4
100	763,500,000	6

حصص یافتگان کی اقسام

فوجی فرٹیلایزر بن قاسم لمیٹڈ

فوجی فاؤنڈیشن

ڈائریکٹرز

ٹوٹل

ایف ایف بی ایل پاور کمپنی لمیٹڈ

فیصد	حصص کی تعداد	حصص یافتگان کی تعداد
75	644,062,491	1
25	214,687,500	1
00	9	9
100	858,750,000	11

حصص یافتگان کی اقسام

فوجی فرٹیلایزر بن قاسم لمیٹڈ

فوجی فاؤنڈیشن

ڈائریکٹرز

ٹوٹل

Financial Calendar - 2022

The Company's financial year starts from January 01 and ends at December 31 each year.

Tentative schedule for announcements of financial results in 2022 is as under:

Annual General Meeting

First Quarter ending March 31, 2022

Second Quarter ending June 30, 2022

Third Quarter ending September 30, 2022

Year ending December 31, 2022

March 17, 2022

Last week of April 2022

Last week of July 2022

Last week of October 2022

Last week of January 2023

مالیاتی کیلینڈر

کمپنی کے مالیاتی سال کی مدت یکم جنوری سے 31 دسمبر تک ہے۔
کمپنی کے مالیاتی نتائج کا اعلان مندرجہ ذیل عارضی جدول کے مطابق کیا جائے گا۔

17 مارچ 2022

آخری ہفتہ اپریل 2022

آخری ہفتہ جولائی 2022

آخری ہفتہ اکتوبر 2022

آخری ہفتہ جنوری 2023

سالانہ اجلاس عام

31 مارچ 2022 کو ختم ہونے والی سہ ماہی:

30 جون 2022 کو ختم ہونے والی سہ ماہی:

30 ستمبر 2022 کو ختم ہونے والی سہ ماہی:

31 دسمبر 2022 کو ختم ہونے والی سہ ماہی:

Form of Proxy

28th Annual General Meeting

The Company Secretary

Fauji Fertilizer Bin Qasim Limited

FFBL Tower, C1/C2, Sector-B,
Jinnah Boulevard, DHA-II,
Islamabad.

I/We, _____ of _____, being a Member(s) of FAUJI FERTILIZER BIN QASIM LIMITED, holder of _____ ordinary shares as per registered Folio No. _____ hereby appoint Mr. / Mst. _____ Folio No (if member) _____ of _____ or failing him/her Mr. / Mst _____ Folio No (if member) _____ of _____ as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the Annual General Meeting of the Company to be held on 17 March 2022 and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 2022.



Signature should agree with the specimen
signature registered with the Company

Signed in the presence of:

Signature of Witness-1

Signature of Witness-2

Notes:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or it notarially certified copy of that power of authority shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument purposes to vote, and in default the instrument of a proxy shall not be treated as valid.

28 وال سالانہ اجلاس عام

ڈی ایچ اے II، اسلام آباد

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Glossary

Asset

Asset is a resource controlled by an enterprise as a result of past events, from which future economic benefits are expected to flow to enterprise.

Associate Company

Associate company is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of investor.

Borrowing Costs

Borrowing costs are interest and other cost incurred by an enterprise in connection with the borrowing funds.

Cash Equivalents

Cash equivalents are short terms highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Consolidated Financial Statements

These include financial statements of FFBL and its subsidiaries i.e Fauji Meat Limited, Fauji Foods Limited (formerly NPL), FFBL Power Company Limited and FFBL Foods Limited as per IFRS 10.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair Value

Fair Value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments

Financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financing Activities

Financing activities are activities that result in changes in the size and composition of equity capital and borrowings of the enterprise.

Intangible Asset

Intangible Asset is an identifiable non-monetary asset without physical substance held for use in the production / supply of goods and services, for rental to others, or for administrative purposes.

Investing Activities

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Liability

A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Non-Controlling Interest

Equity in a subsidiary not attributable, directly or indirectly, to the holding company.

Operating Activities

Operating activities are principal revenue producing activities of the enterprise and other activities that are not investing or financing activities.

Holding Company

A parent is an enterprise that has one or more subsidiaries.

Related Party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party in making financial and operational decisions.

Residual Value

Residual value is the net amount which the enterprise expects to obtain for an asset at the end of its useful life after deducting the expected cost of disposal.

Revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise (holding company).

Abbreviations

Annual General Meeting	AGM
Askari Bank Limited	AKBL
Central Depository Company	CDC
Code of Corporate Governance	CCG
Corporate Social Responsibility	CSR
China Pakistan Economic Corridor	CPEC
Dividend Per Share	DPS
Di-Ammonium Phosphate	DAP
Earnings per Share	EPS
Enterprise Resource Planning	ERP
Environmental Protection Agency	EPA
Fauji Meat Limited	FML
Fauji Foods Limited	FFL
FFBL Power Company Limited	FPCL
Fauji Fertilizer Company Limited	FFCL
Free On Board	FOB
Gas Infrastructure Development Cess	GIDC
General Sales Tax	GST
Government of Pakistan	GoP
Gross Domestic Product	GDP
Human Development Foundation	HDF
Institute of Chartered Accountants of Pakistan	ICAP
Institute of Cost and Management Accountants of Pakistan	ICMAP
International Organization for Standardization	ISO
Information & Communication Technology	ICT
International Financial Reporting Standards	IFRS
Key Performance Indicator	KPI
Memorandum of Understanding	MoU
Million Metric British Thermal Unit	MMBTU
Million Standard Cubic Foot	MSCF
National Environment Quality Standards	NEQS
National Forum for Environment & Health	NFEH
Non Governmental Organization	NGO
Pakistan Moroc Phosphore	PMP
Pakistan Stock Exchange	PSX
Securities and Exchange Commission of Pakistan	SECP
State Bank of Pakistan	SBP
Sui Northern Gas Pipeline Limited	SNGPL
Sui Southern Gas Company Limited	SSGCL
Workers' Profit Participation Funds	WPPF