



CORPORATE AFFAIRS DEPARTMENT

Ref No. 6.12-KSE/S/FFC
October 11, 2024

Through PUCAR

To : **The General Manager**
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
KARACHI
Fax Phone: 021-111-573-329

Subject: **Notice of Extraordinary General Meeting (EOGM)**

Dear Sir,

Please find enclosed copy of Notice of Extraordinary General Meeting for circulation amongst TRE Certificate holders. The meeting is scheduled to be held at 1000 hours on November 04, 2024 and aforementioned notice will be published in English and Urdu Newspapers on October 14, 2024.

Best regards.


Company Secretary
Brig Zulfiqar Ali Haider (Retd)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that pursuant to the Order of the Honourable Lahore High Court, Rawalpindi Bench dated October 8, 2024, passed in Application bearing C. M. 2 of 2024, in Petition bearing C. O. No. 4 of 2024, an Extraordinary General Meeting (“**EOGM**”) of Fauji Fertilizer Company Limited (the “**Company**”) will be held at, and conducted from, 156- The Mall, Rawalpindi, Punjab, on Monday, 04 November 2024 at 1000 hours, including through video link facility, to transact the following business:

A. Special Business**Item 01**

Pursuant to the Order of the Honourable Lahore High Court, Rawalpindi Bench dated October 8, 2024, passed in Application bearing C. M. 2 of 2024, in Petition bearing C. O. No. 4 of 2024, to consider and, if thought fit, to pass, with or without modification, the following resolution for, *inter alia*, the merger, by way of amalgamation, of the entire undertaking of Fauji Fertilizer Bin Qasim Limited with and into the Company, along with all ancillary matters thereto, in accordance with the Scheme of Arrangement dated September 26, 2024, as approved by the Board of Directors of the Company on September 20, 2024.

The proposed resolution to be passed by the requisite majority of members of the Company under Sections 279 and 282 of the Companies Act, 2017 is as under:

“RESOLVED THAT the Scheme of Arrangement dated September 26, 2024, for, *inter alia*, the merger, by way of amalgamation, of the entire undertaking of Fauji Fertilizer Bin Qasim Limited with and into Fauji Fertilizer Company Limited, along with all ancillary and incidental matters thereto, placed before the meeting for consideration and approval, be and is hereby approved and adopted, along with any modifications / amendments required, or conditions imposed by Honourable Lahore High Court, Rawalpindi Bench, subject to sanction by the Honourable Lahore High Court, Rawalpindi Bench, in terms of the provisions of the Companies Act, 2017.”

B. Other Business**Item 02**

To transact any other business that may be placed before the meeting with the permission of the Chair.

Copies of the (a) Statement of Material Facts under Section 134(3) of the Companies Act, 2017 concerning the Special Business; (b) Statement under

Section 281 of the Companies Act, 2017; (c) Scheme of Arrangement; (d) Swap Letter dated September 20, 2024 issued by KPMG Taseer Hadi & Co.; and (e) Special purpose financial statements of the Company audited for the six month period ended June 30, 2024, are being circulated to the members along with this notice of the EOGM.

By the Order of the Board

Brig Zulfiqar Ali Haider (Retd)
Company Secretary

Rawalpindi
October 14, 2024

Notes:

1. The share transfer books of the Company will remain closed from October 31, 2024 to November 4, 2024 (both days inclusive). Transfers received in order at the office of the Company's share registrar: CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi [the Company's Share Registrar (CDCSRSL)], by the close of business on October 30, 2024 will be treated in time for the determination of entitlement of members to attend and vote at the EOGM.
2. A member of the Company entitled to attend and vote at the EOGM may appoint a person / representative as proxy to attend and vote in place of the member. Proxies in order to be effective must be received at the Company's Registered Office, 156-The Mall, Rawalpindi, Pakistan not later than 48 hours before the time of holding the EOGM and no account shall be taken of any part of the day that is not a working day. A member shall not be entitled to appoint more than one proxy.
3. Any Individual Beneficial Owner of CDC, entitled to vote at the EOGM, must bring his / her original Computerized National Identity Card (CNIC) to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose (and as detailed below).
CDC Account Holders will also be required to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan (SECP):
4. **For Attending the Meeting**
 - 4.1 In case of individuals, the account holder or sub-account holder and / or the person, whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall authenticate identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the EOGM.

4.2 Members registered on CDC are also requested to bring their particulars, I.D. Numbers and account numbers in CDS.

4.3 In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

5. For Appointing Proxies

5.1 In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.

5.2 The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

5.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

5.4 The proxy shall produce his / her original CNIC or original passport at the time of EOGM.

5.5 In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

6. Participation through Video Conference Facility

As permitted under Section 132(2) of the Companies Act, 2017, members can avail video conference facility for the EOGM, at Lahore and Karachi provided the Company receives consent from members holding in aggregate 10% or more shareholding, residing at the relevant above mentioned locations, at least 7 days prior to date of the meeting.

Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the EOGM along with complete information necessary to access the facility.

In this regard please send a duly signed request as per the following format at the registered address of the Company, at least 7 days before holding of the EOGM.

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

Signature of member

7. Virtual Participation in the EOGM Proceedings

- 7.1 In light of relevant guidelines issued by the SECP from time to time, the members are encouraged to participate in the EOGM through electronic facility arranged by the Company.
- 7.2 In order to attend the EOGM through electronic facility, members are requested to get themselves registered with the Company Secretariat by providing the requisite details at their earliest but not later than 48 hours before the time of the EOGM by 10 a.m. on November 2, 2024) through e-mail to be sent at shares@ffc.com.pk.
- 7.3 Members are advised to provide the following particulars, along with the scanned copy of their CNIC and that of their proxies, if so appointed. Moreover, in the case of a corporate member, the scanned copy of the resolution of the Board of Directors / Power of Attorney with a specimen signature of the nominee must also be provided.

Name of Shareholder*	CNIC / NTN No.	Folio No. / CDC Account No.	Cell No.	Email address
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* Where applicable, please also give the above particulars of the proxy-holder or nominee of the member.

- 7.4 The details of the electronic facility (video-link and the login credentials) will be sent to the interested members, at their provided e-mail addresses. Accordingly, the members will be able to participate in EOGM proceedings through their smartphones or computer devices. In addition to above, the members can also provide their comments and / or suggestions in connection with the agenda items of the EOGM by using the aforesaid means.
- 7.5 The login facility will be opened at 0930 hours on November 04, 2024 enabling the participants to join the proceedings after identification and verification process before joining the meeting, which will start at 1000 hours sharp.

8. Postal Ballot / E-Voting

Members are hereby notified that pursuant to the Companies (Postal Ballot) Regulations, 2018, read with Sections 143-144 of the Companies Act, 2017, and SRO 2192(1)/2022 dated December 5, 2022, members will be allowed to exercise their right to vote for the special business in accordance with the conditions mentioned therein. The following options are being provided to members for voting:

8.1 Postal Ballot

- (i) Members may alternatively opt for voting through postal ballot. Ballot Paper shall also be available for download from the website of the Company at www.ffc.com.pk or use the same as annexed to this Notice and published in newspapers.
- (ii) Members shall ensure that duly filled and signed ballot paper, along with copy of Computerized National Identity Card (CNIC) should reach the [Chairman of the meeting] through post at November 03, 2024 OR through the registered email address of the member at general.meetings@ffc.com.pk on or before November 03, 2024 before 05:00 p.m. The signature on the ballot paper shall match with the signature on CNIC. A postal ballot received after this time / date shall not be considered for voting.
- (iii) Please note that in case of any dispute in voting including the casting of more than one vote, the Chairman of the meeting shall be the deciding authority.

8.2 E-Voting Procedure

- (i) Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses (Registered email ID) available in the register of members of the Company by the close of business on October 30, 2024 by M/s CDC Share Registrar Services Limited (being the e-voting service provider).
- (ii) The web address, login details and password will be communicated to members via email. The security codes will be communicated to members through SMS and email from web portal of the e-voting service provider.
- (iii) Identity of the members intending to cast vote through E-Voting shall be authenticated through electronic signature or authentication for login.
- (iv) E-Voting lines will start from November 02, 2024 and shall close on November 03, 2024 at 5:00 p.m. Members can cast their votes any time during this period. Once the vote on a resolution is cast by a member, he / she shall not be allowed to change it subsequently.

9. **Statutory Code of Conduct at EOGM:** Members are requested to observe the conduct referred in sub-regulation 2 of Regulation 55 of the Companies Regulations, 2024 while attending the EOGM.

10. Provision of Information by Members

To comply with various statutory requirements, and to avoid any non-compliance of law or any inconvenience in future, all members are hereby advised to coordinate / update their records with their respective Participant /

CDC Investor Account Services / the Company's Share Registrar (CDCSRSL) in connection with following:

- Submission of copies of their valid / updated CNIC / NTN Certificate / Zakat Declaration (Exemption) Form / Tax Exemption Certificate.
 - Provision of relevant details including valid bank account details / IBAN in order to enable the Company to pay any unclaimed / future cash dividends, if any.
 - In case of a joint account, provision of shareholding proportions between principal shareholder and joint holder(s).
 - Convert their physical shares into scrip less form, which will also facilitate the members having physical shares in many ways, including safe custody, efficient trading and convenience in other corporate actions.
 - Provision of mandatory registration details in terms of Section 119 of the Companies Act, 2017 and other applicable laws, including mobile number / landline number and email address (if available).
 - Promptly notify any change in mailing address, email address and mobile number by writing to the office of the Company's Share Registrar (CDCSRSL).
11. Copies of the Memorandum and Articles of Association of the Company; Statement under Section 134(3) of the Companies Act, 2017 in respect of the material facts of the special business; Statement under Section 281 of the Companies Act, 2017; Scheme of Arrangement dated September 26, 2024; Swap Letter dated September 20, 2024 issued by KPMG Taseer Hadi & Co.; the annual audited financial statements of the Company for the year ended December 31, 2023; Special purpose financial statements of the Company audited for the six month period ended June 30, 2024, and any other information relevant to the special business in respect of the Company shall be available upon request, and for inspection, by any person entitled to attend the EOGM from the registered office of the Company, located at 156-The Mall, Rawalpindi, Pakistan, free of cost during normal office hours, from the date of this notice till the conclusion of the EOGM. The said information shall also be placed for inspection of members of the Company during the EOGM.
12. The notice of the EOGM along with the statements, the Scheme of Arrangement and the latest annual and special purpose audited financial statements of the Company have also been placed on the website of the Company.

INFORMATION ABOUT SCRUTINIZER

With reference to the Regulations 4(4) and 11 of the Companies (Postal Ballot) Regulations, 2018, below is the information regarding the Scrutinizer for the purpose of upcoming Extraordinary General Meeting (EGM) of Fauji Fertilizer Company Limited (the Company) to be held on November 04, 2024:-

Name of Scrutinizer	Messrs UHY Hassan Naeem & Co, Chartered Accountants
Qualification and Experience	<p>The firm has grown over the last decade as a leading multi-disciplinary organization offering auditing taxation, business advisory, information technology, human resources and corporate services to public and private sector organizations in the country.</p> <p>UHY Hassan Naeem & Co. is a member of UHY International, one of the world's leading accounting and business advisory network, with offices in over 330 business centers in 90 countries across the globe.</p> <p>The firm holds a satisfactory Quality Control Review (QCR) status from the Institute of Chartered Accountants of Pakistan (ICAP) which demonstrates the quality standards maintained by the firm. It is registered on the Panel of State Bank of Pakistan (SBP) and is on the panel of USAID.</p>
Purpose of appointment	<p>The Company is required to appoint a scrutinizer for the purpose of voting in the EGM to transact business that pertains to investment in associated companies as mentioned in Section 199 of the Companies Act, 2017.</p> <p>Therefore, scrutinizer has been appointed to observe that satisfactory procedures of the voting process including adequate precautionary measures are ensured and reported as mentioned under regulation 11A.</p>

13. For any further assistance, the members may contact the Company or the Share Registrar at the following phone numbers and email addresses:

FFC Shares Department
 Telephone: 92-51-8453235
 Email: shares@ffc.com.pk

CDC Share Registrar Services Limited
 CDC House 99-B, Block 'B',
 S.M.C.H.S Main Shahra-e-Faisal, Karachi-74400
 Telephone: 0800-23275
 Email: info@cdcpak.com



FAUJI FERTILIZER COMPANY LIMITED

156 The Mall Rawalpindi

Phone No 051-111-332-111 Fax No 051-8458831

Email: shares@ffc.com.pk; Website: www.ffc.com.pk

BALLOT PAPER FOR VOTING THROUGH POST

For voting through post for the Special Business at the Extraordinary General Meeting of Fauji Fertilizer Company Limited (FFC) to be held on November 04, 2024 at 1000 Hours at 156 The Mall, Rawalpindi.

Email address to the Chairman with duly filled ballot paper may be sent at designated email: general.meetings@ffc.com.pk

Name of shareholder/joint shareholders	
Registered Address	
Folio No / CDC account No.	
Number of shares held	
CNIC Number / Passport No. (In case of Foreigner) Copy to be attached	
<u>Additional Information and enclosures</u> (In case of representative of body corporate, corporation and Federal Government.) Name of Authorized Signatory:	

Item 01

SPECIAL RESOLUTION

RESOLVED THAT the Scheme of Arrangement dated September 26, 2024, for, inter alia, the merger, by way of amalgamation, of the entire undertaking of Fauji Fertilizer Bin Qasim Limited with and into Fauji Fertilizer Company Limited, along with all ancillary and incidental matters thereto, placed before the meeting for consideration and approval, be and is hereby approved and adopted, along with any modifications / amendments required, or conditions imposed by Honourable Lahore High Court, Rawalpindi Bench, subject to sanction by the Honourable Lahore High Court, Rawalpindi Bench, in terms of the provisions of the Companies Act, 2017.

Instructions for Poll

1. Please indicate your vote by ticking (✓) the relevant box.
2. In case if both the boxes are marked as (✓) your poll shall be treated as “Rejected”.

I/We hereby exercise my / our vote in respect of above-mentioned special resolutions through postal ballot by conveying my / our assent or dissent to the said resolutions by placing tick (✓) mark in the appropriate box below: -

Sr. No.	Nature and Description of resolutions	No. of ordinary shares for which votes cast	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
1	Special Resolution as per Item 01 of Agenda (as given above)			

Signature of shareholder(s) / Proxy holder

(In case of corporate entity, please affix Company stamp.

Place: _____

Date: _____

NOTES:

1. Duly filled Postal Ballot Form should be sent to Chairman at Fauji Fertilizer Company Limited, 156 The Mall, Rawalpindi Pakistan or through email at general.meetings@ffc.com.pk
2. Copy of CNIC /Passport (incase of foreigner) should be enclosed with the Postal Ballot Form
3. Postal Ballot Forms should reach chairman of the meeting till 5:00 pm. 03 November 2024. Any Postal Ballot Form received after this date, will not be considered for voting.
4. Signature on Postal Ballot Form should match with signature on CNIC / Passport.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written Ballot Form will be rejected.
6. In case of representative of a body corporate, corporation or Federal Government the Ballot Form must be accompanied by a copy of the CNIC of an authorized person, an attested copy of Board Resolution, Power of Attorney, Authorization Letter etc., in accordance with Section(s) 138 or 139 of the Companies Act, 2017 as applicable. In case of foreign body corporate etc., all documents must be attested by the Counsel General of Pakistan having Jurisdiction over the member. Ballot Paper Form has also been placed on the website of the company at www.ffc.com.pk.

**Statement under Section 134(3) of the Companies Act, 2017 concerning the
Special Business to be transacted at the Extraordinary General Meeting of
Fauji Fertilizer Company Limited**

The Board of Directors of Fauji Fertilizer Company Limited (“**FFCL**”), in its meeting held on September 20, 2024, has decided to enter into an arrangement with its group company, Fauji Fertilizer Bin Qasim Limited (“**FFBL**”), which shall be carried out, and effectuated, in terms of the Scheme of Arrangement between the companies and their respective members, dated September 26, 2024 (the “**Scheme of Arrangement**”) under Sections 279 to 283 and 285(8) of the Companies Act, 2017 (“**Act**”).

Subject to the sanction of the Honourable Lahore High Court, Rawalpindi Bench, under the Scheme of Arrangement, the entire undertaking and business of FFBL shall be merged, by way of amalgamation, with and into FFCL, by transferring to and vesting in FFCL all the assets, properties, rights, benefits, powers, bank accounts, privileges, contracts, licences, registrations, liabilities, obligations, dues etc. comprised in FFBL, with effect from the start of business at 00:00 hours on July 1, 2024, or such other date as may be stated by the Court (the “**Effective Date**”), against the issuance of ordinary shares by FFCL to the FFBL Shareholders (as defined under the Scheme of Arrangement, being the shareholders of FFBL other than FFCL itself and its nominees, if any) (the “**Amalgamation**”).

The proposed Amalgamation, along with all ancillary and related matters thereto, shall be effective by way of the Scheme of Arrangement, which has been filed with the Lahore High Court, Rawalpindi Bench vide Petition bearing C. O. No. 4 of 2024. Furthermore, in accordance with the directions of the Court, notice of the said petition has been provided to the registrar, Securities and Exchange Commission of Pakistan.

A copy of the Scheme of Arrangement is available for inspection to any person entitled to attend the Extraordinary General Meeting, at the registered office of FFCL, situated at 156-The Mall, Rawalpindi, Pakistan, free of cost during normal office hours. Copies of the same may also be obtained upon request by such persons from the registered office of FFCL free of cost during normal office hours. Furthermore, in accordance with the provisions of Section 282(2) of the Companies Act, 2017, a copy of the Scheme of Arrangement has been enclosed with the notice of the meeting circulated to the members of FFCL.

The objects and benefits of the Amalgamation are also provided in detail in the Scheme of Arrangement. The Amalgamation effectively constitutes a corporate reorganization / merger of FFCL with its group company, since FFCL already holds approximately 49.88% shareholding of FFBL.

The details pertaining to the consideration for the Amalgamation, including the ordinary shares to be issued by FFCL, along with the swap ratio are stipulated in the Scheme of Arrangement. In accordance with the same (and taking into account the shares of FFBL held by FFCL), FFCL shall allot and issue an aggregate of 150,870,449 (One Hundred Fifty Million Eight Hundred Seventy Thousand Four Hundred Forty Nine) ordinary shares, having face value of PKR 10/- (Pak Rupees Ten) each, to the FFBL Shareholders existing on the Record Date (as detailed in the

Scheme of Arrangement), on the basis of a swap ratio of 1 (one) ordinary share of FFCL for every 4.29 ordinary shares of FFBL, of the face value of PKR 10/- (Pak Rupees Ten) each, held by each FFBL Shareholder (subject to adjustment of fractional shares). The aforementioned consideration, including the swap ratio, has been determined and approved by the Board of Directors of the respective companies based on the calculations and valuations stated in the Swap Letter dated September 20, 2024 issued by KPMG Taseer Hadi & Co., based, *inter alia*, on the special purpose consolidated financial statements of the respective companies for the period ended June 30, 2024, financial projections of the companies and other related information, under the net asset value, discounted cash flow and market value based approaches. The said Swap Letter has also been adopted by the Board of Directors of each company.

Furthermore, pursuant to the sanction of the Scheme of Arrangement, the authorized share capital of FFCL shall stand automatically increased from PKR 15,000,000,000/- (Pak Rupees Fifteen Billion) to PKR 30,000,000,000/- (Pak Rupees Thirty Billion), divided into 3,000,000,000 (Three Billion) ordinary shares of PKR 10/- (Pak Rupees Ten) each, by merger of the existing authorized share capital of FFCL and FFBL. The Memorandum and Articles of Association of FFCL shall stand amended in terms of the Scheme of Arrangement. The approval of the members of FFCL to the Scheme of Arrangement shall include and constitute an approval by way of special resolution from the members of FFCL to all matters under the Scheme of Arrangement, including the increase in the authorized share capital of FFCL.

The directors of FFCL are interested in the Scheme of Arrangement to the extent of their directorships and shareholdings in FFCL (to the extent applicable). The effect of the Scheme of Arrangement on the interests of these directors does not differ from its effect on the like interests of other members, except as stated herein or under the Scheme of Arrangement.

In view of the above, the Board of Directors of FFCL has approved and recommended the Scheme of Arrangement, along with the arrangements stipulated thereunder which have been described above.

Statement under Section 281 of the Companies Act, 2017 concerning the Special Business

The statement setting forth the terms of the Scheme of Arrangement and explanation of its effects, including the interests of the directors of FFCL and the effect of those interests and other ancillary information may be obtained upon request by any person entitled to attend the Extraordinary General Meeting from the registered office of FFCL situated at 156-The Mall, Rawalpindi, Pakistan, free of cost during normal office hours.

The aforesaid statement is also enclosed along with this notice of the Extraordinary General Meeting.

**STATEMENT UNDER SECTION 281(1)(A) OF THE COMPANIES ACT, 2017,
ACCOMPANYING THE NOTICES TO THE MEMBERS OF FAUJI FERTILIZER
COMPANY LIMITED**

Pursuant to the Order dated October 8, 2024, passed by the Honourable Lahore High Court, Rawalpindi Bench in Application bearing C. M. 2 of 2024, in Petition bearing C. O. No. 4 of 2024, under Sections 279 to 283 and 285(8) of the Companies Act, 2017, the Court has directed, *inter alia*, that a meeting of the members of Fauji Fertilizer Company Limited (“**FFCL**”) be convened for seeking approval with respect to the Scheme of Arrangement dated September 26, 2024, pertaining, *inter alia*, to the merger, by way of amalgamation, of the entire undertaking of Fauji Fertilizer Bin Qasim Limited (“**FFBL**”) with and into FFCL, by transfer to and vesting in FFCL all the assets, properties, rights, benefits, powers, bank accounts, privileges, contracts, licences, registrations, liabilities, obligations, dues etc. comprised in FFBL (the “**Amalgamation**”), along with all ancillary matters thereto, as approved by the Board of Directors of FFCL on September 20, 2024 (the “**Scheme of Arrangement**”).

A copy of the Scheme of Arrangement (along with its annexures) may be obtained from the registered office of FFCL, situated at 156-The Mall, Rawalpindi, Pakistan, free of cost during normal business hours. Furthermore, a copy of the Scheme of Arrangement has been enclosed with the notice of the meeting circulated to the members of FFCL.

The notices issued and published to the members of FFCL are for the purpose of convening a meeting of the members of FFCL, as directed by the Court, for the purpose of passing, *inter alia*, the following resolution for obtaining approval in respect of the Scheme of Arrangement and the Amalgamation contemplated thereunder, along with ancillary matters:

“RESOLVED THAT the Scheme of Arrangement dated September 26, 2024, for, *inter alia*, the merger, by way of amalgamation, of the entire undertaking of Fauji Fertilizer Bin Qasim Limited with and into Fauji Fertilizer Company Limited, along with all ancillary and incidental matters thereto, placed before the meeting for consideration and approval, be and is hereby approved and adopted, along with any modifications / amendments required, or conditions imposed by Honourable Lahore High Court, Rawalpindi Bench, subject to sanction by the Honourable Lahore High Court, Rawalpindi Bench, in terms of the provisions of the Companies Act, 2017.”

As required under section 279(2) of the Companies Act, 2017, the above resolution is required to be passed at the meeting of the members convened pursuant to the Order of the Court, by a majority representing three-fourths in value of the issued shares held by the members of FFCL, present in person or by proxy, and voting at the Extraordinary General Meeting. The sanctioning of the Scheme of Arrangement and the making of other appropriate orders in connection therewith will be considered by the Court after the Scheme of Arrangement is approved as aforesaid.

In the manner prayed in terms of the application filed with the Court, the Court has appointed LT. Gen Anwar Ali Hyder, (HI(M)(Retired) or, in his absence, Mr. Saad

Amanullah Khan, to act as Chairman of the meeting of the members, and has directed the Chairman to report the results thereof to the Court.

The Scheme of Arrangement is subject to the sanction of the Court and may be sanctioned in its present form or with any modification thereof or addition thereto as the Court may approve and the Scheme of Arrangement, with such modification or addition if any, is also subject to any conditions which the Court may impose. The respective Boards of Directors of FFCL and FFBL have the power (in the manner specified under the Scheme of Arrangement) to consent on behalf of all concerned to any modifications of, or additions to, the Scheme of Arrangement, or to any conditions which the Court may think fit to impose. Furthermore, FFCL and FFBL shall also take steps to obtain the necessary regulatory / third party approvals, as may be required under the applicable laws.

The Scheme of Arrangement has been filed with the Lahore High Court, Rawalpindi Bench vide Petition bearing C. O. No. 4 of 2024. Furthermore, in accordance with the directions of the Court, notice of the said petition has been provided to the registrar, Securities and Exchange Commission of Pakistan.

Companies involved in the Scheme of Arrangement

FFCL

FFCL is a public company, incorporate on May 8, 1978, the shares of which are listed on the Pakistan Stock Exchange Limited (“**PSX**”).

It has an authorized share capital of PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 1,272,238,247 (One Billion Two Hundred Seventy Two Million Two Hundred Thirty Eight Thousand Two Hundred Forty Seven) ordinary shares have been issued, fully subscribed to and paid up.

The principal activity of FFCL is manufacturing, purchasing and marketing of fertilizers and chemicals, along with investment in other fertilizer, chemical, cement, energy generation, food processing and banking operations.

FFBL

FFBL is a public company, incorporated as ‘FFC-Jordan Fertilizer Company Limited’ on November 17, 1993, the name of which was changed to Fauji Fertilizer Bin Qasim Limited on November 3, 2003. The shares of FFBL are listed on the PSX.

It has an authorized share capital of PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees 10) each, out of which 1,291,252,857 (One Billion Two Hundred Ninety One Million Two Hundred Fifty Two Thousand Eight Hundred Fifty Seven) ordinary shares have been issued, fully subscribed to and paid up. Currently, FFCL holds approximately 49.88% shares of FFBL.

The principal activity of FFBL is manufacturing, purchasing and marketing of fertilizers.

Brief of the Scheme of Arrangement

Summary and Objective

The principal object of the Scheme of Arrangement is, *inter alia*, to effect the Amalgamation, as further detailed in the Scheme of Arrangement, with effect from the start of business at 00:00 hours on July 1, 2024 or at such other date stated by the Court (the “**Effective Date**”), by transfer to and vesting in FFCL the entire business and undertaking of FFBL, including all the assets, properties, rights, benefits, powers, bank accounts, privileges, contracts, licences, registrations, liabilities, obligations, dues etc. of every description of FFBL, subsisting immediately preceding the Effective Date, without any further act or deed or documents being required to be carried out, executed, registered or filed in respect of such transfer, vesting, and / or assumption, in the manner stipulated under the Scheme of Arrangement. Thereafter, FFBL shall be dissolved without winding up, and shall stand delisted from the PSX, in the manner prescribed under the Scheme of Arrangement, while FFCL shall continue as a going concern.

Accordingly, subject to the sanction of the Scheme of Arrangement by the Court, as of the Effective Date and thereafter, until the undertaking of FFBL is actually transferred to and vested in FFCL in terms of the Scheme of Arrangement, the business of FFBL will be deemed to have been carried for and on account and for the benefit of FFCL. Subsequent to sanction of the Scheme of Arrangement, and as consequence of the Amalgamation, the financial statements of FFCL will be prepared in accordance with the applicable laws, including the Companies Act, 2017 (and other regulations and notifications), and the relevant accounting and reporting standards applicable in Pakistan.

Benefits

The respective directors of FFCL and FFBL have considered it prudent and beneficial to carry out the Amalgamation for the reasons and benefits stipulated in the Scheme of Arrangement. Among other benefits as are also elaborated in detail in the Scheme of Arrangement, the Amalgamation is expected to result in the potential operational, technical, supply chain and industrial relations synergies; furthermore, the larger size of FFCL (as the merged entity) would lead to an increase in the asset base, thus providing greater comfort to creditors, improving growth prospects, increase its risk absorption capacity, as well as placing FFCL in a position to explore additional value-added product / services streams, including providing greater agronomic support, which would be beneficial for the farming communities and for Pakistan. Additionally, the Amalgamation would enable the merged entity to reduce administrative costs, and provide a more tax efficient structure for shareholders.

Consideration

The details pertaining to the consideration for the Amalgamation, including the ordinary shares to be issued by FFCL along with the swap ratio are stipulated in the Scheme of Arrangement. In accordance with the same, FFCL shall allot and issue an aggregate of 150,870,449 (One Hundred Fifty Million Eight Hundred Seventy

Thousand Four Hundred Forty Nine) ordinary shares, having face value of PKR 10/- (Pak Rupees Ten) each, to the FFBL Shareholders (as defined under the Scheme of Arrangement, being the shareholders of FFBL other than FFCL itself and its nominees, if any) existing on the Record Date (as detailed in the Scheme of Arrangement), on the basis of a swap ratio of 1 (one) ordinary share of FFCL for every 4.29 ordinary shares of FFBL, of the face value of PKR 10/- (Pak Rupees Ten) each, held by each FFBL Shareholder (subject to adjustment of fractional shares).

The aforementioned consideration, including the swap ratio, has been determined and approved by the Board of Directors of the respective companies based on the calculations and valuations stated in the Swap Letter dated September 20, 2024 issued by KPMG Taseer Hadi & Co., based, *inter alia*, on the special purpose consolidated financial statements of the respective companies for the period ended June 30, 2024, financial projections of the companies and other related information, under the net asset value, discounted cash flow and market value based approaches. The said Swap Letter has also been adopted by the Board of Directors of each company.

General

All information / particulars with respect to the Amalgamation and the arrangement in respect thereof, including all ancillary matters thereto, are provided in detail in the Scheme of Arrangement, including, details of the companies, and the objects and benefits of the entire arrangement, treatment of employees and arrangements with respect to the secured creditors of FFBL.

Approval of the Scheme of Arrangement by the members of FFCL shall also constitute an approval by way of special resolution from the members of FFCL with respect to all matters prescribed under the Scheme of Arrangement, including an increase in the authorized share capital of FFCL to PKR 30,000,000,000/- (Pak Rupees Thirty Billion), divided into 3,000,000,000 (Three Billion) ordinary shares of PKR 10/- (Pak Rupees Ten) each, by merger of the existing authorized share capital of FFCL and FFBL, along with the consequential amendments to the Memorandum and Articles of Association of FFCL.

Summary of Financial Performance

FFCL

In PKR Mn	Jun-24 (6M)	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Financial Performance						
Sales	115,574	159,472	109,363	108,650	97,654	105,783
Profit after Taxation	26,071	29,673	20,049	21,896	20,819	17,110
Earnings Per Share – Basic	20.49	23.32	15.76	17.21	16.36	13.45
Financial Position						
Total Assets	242,629	223,280	240,121	201,006	172,948	153,389
Total Liabilities	166,784	161,428	189,287	153,492	130,413	117,823
Total Equity	75,845	61,852	50,834	47,514	42,535	35,566

FFBL

In PKR Mn	Jun-24 (6M)	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Financial Performance						
Sales	96,856	193,064	159,226	110,452	83,234	66,839
Profit after Taxation	10,560	4,403	2,328	6,391	2,193	(5,921)
Earnings (Loss) Per Share – Basic	8.18	3.41	1.80	4.96	2.12	(6.34)
Financial Position						
Total Assets	143,380	145,872	149,863	115,210	90,968	91,167
Total Liabilities	107,020	118,780	127,140	94,779	77,009	84,333
Total Equity	36,360	27,092	22,723	20,431	13,959	6,834

The latest annual audited financial statements of both companies for the year ended December 31, 2023 are available on respective websites of the companies, which duly contain the summarized operating and financial performance as well as details about company specific risk factors.

Furthermore, in compliance with the provisions of Section 282(2)(e) of the Companies Act, 2017, the special purpose financial statements of FFCL audited for the six month period ended June 30, 2024 have also been enclosed with the notices of the meeting circulated to the members of FFCL. The same are available for inspection to any person entitled to attend the extraordinary general meeting, at the registered office of FFCL, free of cost during normal office hours. Copies of the same may also be obtained upon request by such persons from the registered office of FFCL, free of cost during normal office hours. The said audited accounts are also available on FFCL's website.

Information pertaining to the Creditors of the Companies

In accordance with the provisions of the Scheme of Arrangement, as of the Effective Date, all the liabilities and obligations of FFBL, including towards the creditors of FFBL, shall be assumed by and become the liabilities and obligations of FFCL without any further act or deed. FFCL shall be obligated to pay, undertake, satisfy, discharge and perform all such liabilities and obligations. The Scheme of Arrangement also details the proposed arrangement (as a consequence of the Amalgamation) with respect to the charges / encumbrances existing in favour of the secured creditors of FFBL.

It may be noted that all the respective secured creditors of FFCL and FFBL have issued no-objection certificates / approvals with respect to the Scheme of Arrangement / Amalgamation.

Effect of the Amalgamation on Shareholding / Ownership Structure

Based on FFCL's and FFBL's shareholding patterns as at June 30, 2024, including the shareholdings of Fauji Foundation in the companies, and FFCL's shareholding in FFBL, as well as the proposed swap ratio, it is expected that the shareholding of the major shareholder i.e. Fauji Foundation with change from approximately 44.35% to approximately 43.51% in FFCL (being the surviving entity).

Material Interests of Directors (if any)

The respective directors of FFCL and FFBL are interested in the Scheme of Arrangement to the extent of their directorships (including common directorships) and shareholdings in the said companies (to the extent applicable). The effect of the Scheme of Arrangement on the interests of these directors does not differ from its effect on the like interests of other members, except as stated herein or under the Scheme of Arrangement. To the extent that any directors of FFCL and / or FFBL hold shares of FFBL on the Record Date, such directors shall be entitled to shares of FFCL on the basis of the swap ratio, in the same manner as the other FFBL Shareholders. Furthermore, subject to the sanction of the Scheme of Arrangement, the directors of FFBL shall cease to hold office as directors without any rights to any compensation for loss of office upon the dissolution of FFBL in accordance with the provisions of this Scheme.

FAUJI FERTILIZER COMPANY LIMITED

**FORM OF PROXY
EXTRAORDINARY GENERAL MEETING**

I/We

of _____ being a member(s) of Fauji Fertilizer Company Limited hold _____ ordinary Shares hereby appoint Mr/Mrs of _____ or failing him Mr/Mrs of _____ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on November 4, 2024 and /or any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2024.

Signed by _____

in the presence of _____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on Fifty
Rupees Revenue
Stamp

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 156 The Mall, Rawalpindi not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. **For CDC Account Holders/Corporate Entities**
In addition to the above the following requirements have to be met.
 - (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - (iii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company)
 - (iv) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).

SCHEME OF ARRANGEMENT

**UNDER SECTIONS 279 TO 283 AND 285(8) OF
THE COMPANIES ACT, 2017**

INVOLVING

FAUJI FERTILIZER COMPANY LIMITED

AND ITS MEMBERS

AND

FAUJI FERTILIZER BIN QASIM LIMITED

AND ITS MEMBERS

FOR

The merger / amalgamation of the entire undertaking of Fauji Fertilizer Bin Qasim Limited with and into Fauji Fertilizer Company Limited, along with all ancillary matters.

SCHEME OF ARRANGEMENT

UNDER SECTIONS 279 TO 283 AND 285(8) OF THE COMPANIES ACT, 2017

BETWEEN

FAUJI FERTILIZER COMPANY LIMITED, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, incorporated and existing under the laws of Pakistan and having its registered office at 156, The Mall, Rawalpindi, Punjab, Pakistan (hereinafter referred to as “**FFCL**”, which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

AND

FAUJI FERTILIZER BIN QASIM LIMITED, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, incorporated and existing under the laws of Pakistan and having its registered office at 156, The Mall, Rawalpindi, Punjab, Pakistan (hereinafter referred to as “**FFBL**”, which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

AND

THEIR RESPECTIVE MEMBERS.

RECITALS

WHEREAS by this Scheme of Arrangement (“**Scheme**”), it is, *inter alia*, proposed that:

1. The entire undertaking, comprising all the Assets, Liabilities and Obligations of FFBL shall, as at the Effective Date, stand merged with, transferred to, vested in, and be assumed by FFCL.
2. As consideration for the above, it is proposed that FFCL Shares shall be issued to the FFBL Shareholders in accordance with this Scheme.
3. Upon the merger and transfer of FFBL in the manner prescribed under this Scheme, FFBL shall be dissolved without winding up, and shall stand de-listed from the PSX.
4. This Scheme, if approved through a resolution by the requisite majority of the respective members of FFCL and FFBL, along with the requisite majority of creditors (as may be applicable), and sanctioned by the Court by an order passed in this respect, is to be binding on FFCL and FFBL along with all the members, creditors, employees, Customers, contracting parties, government, tax and regulatory / statutory authorities, bodies and departments of or with respect to FFCL and FFBL (as applicable) respectively.

BENEFITS OF THIS SCHEME

A. Arrangements Between FFCL, FFBL and their Respective Members

The Amalgamation shall allow FFCL and FFBL to effectuate the arrangement envisaged by the parties, including the companies and their respective members, through the provisions of sections 279 to 283 and 285(8) of the Act, in a seamless and tax efficient manner.

B. Larger Asset Base

The Amalgamation would lead to an increase in the asset base and the size of the surviving entity i.e. FFCL. This would in turn allow the surviving / merged entity access to a combined pool of assets which are likely to provide better investment opportunities. The larger size of the equity and asset base would provide greater comfort to existing and potential creditors of the surviving / merged entity. Moreover, access to a combined pool of resources is likely to improve growth prospects and the ability to undertake more efficient allocation of capital through larger assignments / projects.

C. Synergies

The Amalgamation would provide an opportunity to operate the business / operations of FFCL and FFBL through a consolidated operations department, as well as a single finance and administration department, which is expected to result in the following potential synergies:

- (i) **Operational synergies**, including economies of scale through, *inter alia*, optimized production planning with respect to the combined business of FFCL and FFBL (having the same nature of business);
- (ii) **Technical synergies**, including technological advancements and process improvements from knowledge sharing, greater research and development activities for product development and cost reduction, improving efficiencies through resource optimization, obtaining the benefit of an enhanced engineering pool resulting in a reduction in engineering costs, collective centralized performance monitoring of plants, and sharing of technical and other data for improvement of business and execution capabilities;
- (iii) **Supply chain synergies**, including procurement consolidation, inventory management, shared utilization of facilities and available assets, and an overall ability to efficiently and effectively manage the combined urea / fertilizer business of the companies; and
- (iv) **Industrial relations synergies**, including workforce optimization through improved resource allocation and skill optimization, as well as employee development involving shared training and development programs to enhance employee capabilities.

D. Increase in Risk Absorption Capacity

The larger size of FFCL (as the merged / amalgamated entity) would increase its risk absorption capacity, thus enhancing the capacity to manage any potential risks arising out of adverse and / or uncertain operating environment. In the long run, this factor would provide greater stability as well as sustainability in the business and operations for FFCL.

E. Larger Product Portfolio

The Amalgamation would result in FFCL (as the surviving entity) to have a greater product range / portfolio and potentially better profitability. Furthermore, the larger merged entity would be in a position to explore additional value added product / services streams, including providing greater agronomic support, which would be beneficial for the farming communities and for Pakistan.

F. Reduction in Administrative Costs

The Amalgamation would enable the merged entity i.e. FFCL to carry out its business through single operations, accounts, treasury, human resources and management information system department, under one management, as well as sharing of office space, thus resulting in considerable cost savings and economies of scales, as well as better and more efficient coordination and use of resources.

G. Single Corporate and Tax Reporting

The Amalgamation will make single corporate and tax reporting possible for the merged entity. The same will entail elimination of maintenance of separate records for business operations, selling, purchasing, marketing, legal, administrative, and secretarial and other records under the various laws resulting in duplication of work and higher costs.

H. Leveraging Against the Assets of FFBL

The Amalgamation will allow FFCL to acquire the benefit of the Assets of FFBL without having to pay cash consideration in respect of such Assets, and leverage the same for raising further capital (potentially at lower cost) for growing the business and enhancing shareholder value.

I. Tax Efficiencies and Optimised Legal Structure

The Amalgamation would lead to a more streamlined and tax-efficient organizational structure, by reducing the number of legal entities in the structure, having similar business lines and governance. Furthermore, the same would lead to a significant reduction in the multiplicity of legal and regulatory compliances required to be carried out which are likely to allow for further cost-savings.

J. Cost Savings and Rationalization

The Amalgamation would enable the companies and their respective members to rationalize and save costs under the applicable laws while effectuating the envisaged arrangement.

K. Benefits to Shareholders

The Amalgamation is likely to (in the context of the benefits set out above in paragraphs (A) to (J)) enhance shareholder value as well as future returns for all shareholders of FFCL (including the shareholders of FFBL upon their becoming shareholders of FFCL upon the effectuation of the Amalgamation). The merged entity will have larger market capitalization and improved market position with the potential for better performance, both in terms of the ability to deploy capital more effectively and manage its resources and operations more efficiently. The merged / surviving entity will allow for more liquidity of shares, allowing shareholders (especially

minority shareholders) to trade in their shares with more ease. Additionally, a robust company may attract more investors, further improving shareholder returns and shareholder value.

NOW THEREFORE, this Scheme is presented as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

- 1.1. In this Scheme, including in the recitals and benefits above, unless the subject or context otherwise requires, the following expression shall bear the meanings specified against them below:

“Act” means the Companies Act, 2017;

“Amalgamation” shall have the same meaning as prescribed thereto in Article 2.1;

“Annexure A” is the annexure attached hereto which lists the current members of the Board of Directors of FFCL;

“Annexure B” is the annexure attached hereto which lists the current members of the Board of Directors of FFBL;

“Annexure C” is the annexure attached hereto which lists the owned immovable properties comprising the Assets of FFBL;

“Annexure D” is the annexure attached hereto containing the Swap Letter;

“Assets” mean assets, properties and rights of every description and kind (whether present or future, actual or contingent, tangible or intangible) and includes properties held on trust and benefit of securities obtained from Customers, benefits, interests, powers, rights, authorities, privileges, Contracts, Government consents, Government subsidies, tax refunds / credits, tax protections, remissions and exemptions (including holding period of such assets and liabilities along with all the rights attached and accrued thereto including, but not limited to, equity-based tax credits for unexpired period), sanctions and authorizations, including all registrations, licences, Claims, no objection certificates / letters, permits, categories, exemptions, quotas, entitlements, sanctions, empowerments, dispensations, charters, immunities, grants, prerogatives, permissions and benefits relating to the business / company, all trademarks, patents, copyrights, intellectual property rights (whether registered or not), licences, liberties, secret processes, know-how, good-will, data and confidential information belonging / pertaining to a company. Without in any way limiting or prejudicing the generality of the foregoing, it is hereby clarified that the term **‘Assets’** shall include: (i) all properties, immovable and movable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatsoever nature and wheresoever situated belonging to a company, as well as equity, stocks, debentures, bonds, rights under futures, options, derivative contracts, commodities etc. (and all rights, titles, interests and easements associated therewith); (ii) all inventory, stock-in trade, raw materials, ingredients, packaging, consignments from shipments, consumable stores, plant, machinery, equipment, furniture and fixtures, work-in-progress, computer hardware and software, software applications and licences, motor vehicles, office and laboratory equipment and supplies, appliances and accessories, spare parts and tools; (iii) all Claims, choses-in-action, instruments, decretal amounts, bank and other accounts, cash balances, goodwill, revaluation surplus, reserve funds, revenue balances, investments (together with control in subsidiary and associated companies), other

investments, interest / profit / dividends accrued on investments, loans, advances, guarantees, deposits, prepayments, receivables, book debts, trade debts and all other rights and interest in and arising out of such property in the ownership, possession, power or control of a company, whether legal or beneficial, whether within or out of Pakistan; (iv) all books of accounts, registers, records, information, data, documents of title, reports, policies, surveys, research, advertising or other promotional material, and all other documents of whatever nature relating thereto, in every form; (v) all benefits and rights under Contracts, including rights under or relating to Contracts; (vi) all the utilities connections, equipment, installations and facilities for telecommunications, electricity, gas, water, sewerage and other installations, owned by, leased or licensed to a company (including related deposits); (vii) the Contingent Claims, tax credits / carry forward losses and proceeds realized from the Liquidation of the Contingent Claims; (viii) unadjusted tax receivables / losses and tax refunds; (ix) sales tax carry forward balance and sales tax refunds; (x) fertilizer subsidy receivable claims; and (xi) registrations and licenses with / from any and all regulatory authorities and bodies, Federal Board of Revenue, Provincial Boards of Revenue, including in respect of income tax, sales tax, excise duty and otherwise;

"CDC" means the Central Depository Company of Pakistan Limited;

"CDS" means the Central Depository System (an electronic book entry system for the recording and transfer of securities, established under the Central Depositories Act, 1997 and maintained by the CDC);

"Claim" means claim, counter-claim, demand or cause of action and includes a Contingent Claim;

"Completion Date" has the same meaning as prescribed thereto in Article 3.1;

"Contingent Claim(s)" means any potential Claim that a company may have against any person prior to the Effective Date which may not be disclosed or reflected as part of its Assets on its books or records;

"Contracts" means any contracts, agreements, deeds, instruments, insurance policies, letters or undertakings of every description, creating any obligations enforceable against the parties thereto, including any finance agreements;

"Court" means the Lahore High Court, Rawalpindi Bench, or any other Court / authority for the time being having jurisdiction under the Act in connection with the arrangements under this Scheme (including the Amalgamation);

"Customer" means any person having entered into a transaction, arrangement or other dealing with a company;

"Effective Date" shall have the same meaning as prescribed thereto in Article 3.1;

"existing" means existing, outstanding or in force immediately prior to the Effective Date (unless stated otherwise);

"FFBL" shall have the meaning as prescribed in the Preamble above;

"FFBL Shareholders" means the members of FFBL, other than FFCL (including its nominees, if any), as determined on the Record Date, to whom FFCL Shares shall be issued in accordance with the provisions of this Scheme;

"FFCL" shall have the meaning as prescribed in the Preamble above;

"FFCL Shares" means the ordinary shares, having face value of PKR 10/- (Pak Rupees Ten) each, in the share capital of FFCL;

"Liabilities and Obligations" includes all borrowings, liabilities, duties, commitments and obligations of every description (whether present or future, actual or contingent) arising out of any Contract or otherwise whatsoever, and all Securities, and the terms **"Liabilities"** and **"Obligations"** are used interchangeably and / or in conjunction with each other;

"Liquidation" means the release, compromise, satisfaction, settlement or reduction to judgment of any Claim by a competent court of law;

"PSX" means the Pakistan Stock Exchange Limited;

"Record Date" the date to be fixed by the directors of FFBL, after the Completion Date, to determine the identities and entitlements of the FFBL Shareholders;

"Scheme" means this Scheme of Arrangement, in its present form with any modifications thereof or additions thereto, approved or with any conditions imposed by the Court;

"Security" or **"Securities"** means interest, right or title in and to any and all mortgages, encumbrances or charges (whether legal or equitable), debenture, bill of exchange, promissory note, guarantee, lien, pledge (whether actual or constructive), hypothecation, assignment by way of security, right of set-off, undertaking or other means of securing payment or discharge of any Liabilities and Obligations;

"Swap Letter" means the letter dated September 20, 2024, issued by KPMG Taseer Hadi & Co., to the respective Board of Directors of FFCL and FFBL, attached hereto as Annexure D, pertaining to the Amalgamation, and detailing, *inter alia*, the valuations of FFCL and FFBL, along with the basis and calculation of the Swap Ratio; and

"Swap Ratio" shall have the same meaning as prescribed thereto in Article 9.1.

1.2. In this Scheme, unless specified otherwise:

- (i) the headings in this Scheme are for convenience only and shall not affect the construction or interpretation thereof;
- (ii) a reference to any legislation or legislative provision includes any statutory modification of, or re-enactment of, or legislative provision substituted for, and any subordinate legislation under that legislation or legislative provision;
- (iii) a reference to any agreement or document is to that agreement or document and, where applicable, any of its provisions, as amended, novated, restated or replaced from time to time;

- (iv) a reference to an Article or Annexure is to an article or annexure of or to this Scheme;
- (v) words denoting the singular shall include the plural and vice versa;
- (vi) a reference to a person includes a company, firm, trust, authority or government and vice versa;
- (vii) a reference to any person includes that person's executors, administrators, successors, legal heirs, and permitted assigns;
- (viii) "including" and "include" shall be deemed to mean "including, without limitation" and "include, without limitation"; and
- (ix) the word "hereof", "herein", "hereto" and "hereunder" and words of similar import when used, with the required linguistic and / or grammatical derivation, in this Scheme refer to this Scheme as a whole and not to any particular provision thereof..

ARTICLE 2

OBJECTS OF THE SCHEME

- 2.1. The principal object of this Scheme is to amalgamate the entire undertaking of FFBL with and into FFCL, by transferring to, merging with and vesting in FFCL the whole of FFBL, as a going concern, including all the Assets, Liabilities and Obligations of FFBL, as of the Effective Date (the "**Amalgamation**"), against the allotment and issue of FFCL Shares to the FFBL Shareholders based on the Swap Ratio, and dissolving FFBL without winding up in accordance with the provisions of this Scheme.
- 2.2. It is hereby clarified that although all of the above steps (unless otherwise detailed in this Scheme) will take place on the same date, the same shall be deemed to be effective as of the Effective Date.

ARTICLE 3

EFFECTIVE DATE

- 3.1. This Scheme shall become operative and bind FFCL and FFBL as soon as an order is passed by the Court under Sections 279 / 282 of the Act, sanctioning this Scheme and making the necessary provisions under Section 282 of the Act (hereinafter referred to as the "**Completion Date**"). When this Scheme becomes operative on the Completion Date, the Amalgamation (along with other matters), in accordance with this Scheme, will be treated as having effect from the start of business at 00:00 hours on July 1, 2024, or such other date as may be stated by the Court (hereinafter referred to as the "**Effective Date**"). Each company shall file a certified copy of the order passed by the Court with the Registrar of Companies in accordance with Section 279 of the Act.
- 3.2. Accordingly, as of the Effective Date and thereafter, until the undertaking of FFBL is actually transferred to and vested in FFCL in terms of this Scheme, the business of FFBL will be deemed to have been carried for and on account and for the benefit of FFCL, and all income, profits,

gains and losses accruing or arising to, or incurred by, FFBL (including any taxes paid or deducted or withheld) from the Effective Date shall be treated as the income, profits, gains or losses (including any taxes paid or deducted or withheld), as the case may be, of FFCL. Subsequent to the Completion Date, and as consequence of the Amalgamation, the financial statements of FFCL will be prepared in accordance with the applicable laws, including the Act (and other regulations and notifications), and the relevant accounting and reporting standards applicable in Pakistan.

- 3.3. Notwithstanding the provisions of Article 3.2, during the period from the Effective Date up to the Completion Date, each of FFBL and FFCL shall continue to operate independently in the ordinary course and as per past practice, and further be entitled (without being obliged) to declare and distribute dividends from the profits earned during this period to its respective shareholders as determined by its respective Board of Directors in the ordinary course.

ARTICLE 4

CAPITAL

- 4.1. The authorized share capital of FFCL is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 1,272,238,247 (One Billion Two Hundred Seventy Two Million Two Hundred Thirty Eight Thousand Two Hundred Forty Seven) ordinary shares have been issued, fully subscribed to and paid up.
- 4.2. The authorized share capital of FFBL is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees 10) each, out of which 1,291,252,857 (One Billion Two Hundred Ninety One Million Two Hundred Fifty Two Thousand Eight Hundred Fifty Seven) ordinary shares have been issued, fully subscribed to and paid up.
- 4.3. Upon the sanction of this Scheme, the authorized share capital of FFBL shall be merged and combined with the authorized share capital of FFCL. Resultantly, as a consequence of the above, the authorized share capital of FFCL shall thus stand enhanced to PKR 30,000,000,000/- (Pak Rupees Thirty Billion), divided into 3,000,000,000 (Three Billion) ordinary shares of PKR 10/- (Pak Rupees Ten) each, and accordingly the Memorandum and Articles of Association of FFCL shall stand amended (to the extent required). Approval of the members of FFCL to this Scheme shall also include and constitute an approval, by way of special resolution, from the members of FFCL to the alteration of the Memorandum and Articles of Association of FFCL for the increase of the authorized share capital of FFCL to PKR 30,000,000,000/- (Pak Rupees Thirty Billion), as required in terms of the Act.

ARTICLE 5

BOARD OF DIRECTORS

- 5.1. The present directors of FFCL are listed in Annexure A.
- 5.2. The present directors of FFBL are listed in Annexure B.

- 5.3. The directors of FFCL are expected to continue as the directors after the Amalgamation / Completion Date, subject to compliance with the applicable laws and / or their ceasing to be directors in the meantime due to any reason(s) and appointments being made to the vacancies thus created (or already existing) and / or fresh elections being held prior to the Completion Date in compliance with applicable laws.
- 5.4. The directors of FFBL (comprising the Board of Directors of FFBL at the relevant time) shall cease to hold office as directors without any rights to any compensation for loss of office upon the dissolution of FFBL in accordance with the provisions of this Scheme.
- 5.5. All the directors of FFCL and FFBL have interest in the Amalgamation to the extent of their respective directorships and shareholdings in the said companies (to the extent applicable). The effect of this Scheme on the interest of these directors does not differ from the respective interests of the members of each of FFCL and FFBL.

ARTICLE 6

AMALGAMATION

6.1. General Description

- (i) As of the Effective Date, FFBL, as a going concern (without discontinuation) for the purpose of all laws, shall be amalgamated with and vest in FFCL upon the terms and conditions set forth in this Scheme without any further act, deed, matter or thing, process or procedure.
- (ii) FFCL shall be able to carry out all the business of FFBL and shall be entitled to all the rights and the benefits thereof.
- (iii) As consideration of the Amalgamation, FFCL shall allot and issue FFCL Shares to the FFBL Shareholders, while all the shares of FFBL shall stand cancelled, in each case in accordance with Article 9.
- (iv) FFBL shall be dissolved, without winding up, from the date on which all the FFCL Shares to be allotted by FFCL to the FFBL Shareholders, as prescribed in Article 9, have been so allotted, or on such later date as the Court may prescribe. Consequently, FFBL shall stand de-listed from the PSX.

6.2. Transfer of the Assets

- (i) As of the Effective Date, all the Assets of FFBL (including, but not limited to, the owned immovable properties of FFBL stipulated in Annexure C (subject to disposal of the same between the Effective Date and Completion Date)) shall immediately, without any conveyance or transfer, and without any further act or deed, or payment of any duties or other amounts, be vested in and become the undertaking and Assets of FFCL, which shall have, hold and enjoy the same in its own right as fully as the same were possessed, held and enjoyed by FFBL prior to the Amalgamation.
- (ii) The vesting / transfer of the Assets shall be subject to all Securities subsisting thereon (if any), including in the manner stipulated in this Scheme.

- (iii) The vesting / transfer of the Assets of FFBL to FFCL, pursuant to the Amalgamation, shall be effectuated notwithstanding that the same may be in blocked accounts, or pledged by FFBL, or in freeze status (including maintained with the CDC in such form). Where required or applicable, the status of the same shall continue in such manner (under the ownership and title of FFCL) once transferred to the relevant account(s) / sub-account(s) of FFCL.
- (iv) All licences, permits, quotas, rights, permissions, concessions, privileges, sanctions, approvals, registrations, empowerments, dispensations, charters, immunities, grants, exceptions, entitlements etc. in relation to the business or undertaking of FFBL (including rights and control over subsidiaries and associated companies with respect to investments of FFBL), the benefit of which FFBL may be eligible and which are subsisting or having effect immediately prior to the Effective Date, shall, from the Effective Date, stand vested in and transferred to FFCL without any further act or deed, and shall be appropriately mutated by the relevant authorities in favour of FFCL.

6.3. Transfer of Liabilities and Obligations

As of the Effective Date, all the Liabilities and Obligations of FFBL, including towards the creditors of FFBL, shall immediately, and without any further act or deed, be assumed by and become the Liabilities and Obligations of FFCL, which shall pay, undertake, satisfy, discharge and perform, when due, all such Liabilities and Obligations.

6.4. FFCL's Right to Execute Deeds

Deeds, assignments or similar instruments to evidence the aforesaid transfer of Assets and / or assumption of Liabilities and Obligations of FFBL may, if required at any time, be executed by officers of FFCL authorized in this regard.

6.5. References to Assets and Liabilities and Obligations

Any reference in this Scheme to Assets or Liabilities and Obligations of FFBL is a reference to Assets or Liabilities and Obligations to which FFBL is for the time being entitled or subject to (whether beneficially or in any fiduciary capacity) immediately preceding the Effective Date, wherever such Assets or Obligations and Liabilities are situated or arise and whether or not the same are capable of being transferred or assigned to or by FFBL under any applicable law or instrument.

6.6. Assets held in Trust, etc.

Any Asset comprised or vested in FFBL, which immediately before the Effective Date was held by FFBL as trustee or custodian in the form of any trust deed, settlement, covenant, agreement or will or as executor of the will, or administrator of the estate of a deceased person or as judicial trustee appointed by order of any court, or in any other fiduciary capacity, shall, as of the Effective Date, be held by FFCL in the same capacity upon the trusts, subject to the powers, provisions and Liabilities applicable thereto.

6.7. Contracts

Every Contract to which FFBL is a party shall have effect as of the Effective Date as if:

- (i) FFCL had been a party thereto instead of FFBL; and
- (ii) Any reference (however worded and whether express or implied) to FFBL therein shall stand substituted, as respects anything to be done as of the Effective Date, to a reference to FFCL.

6.8. Bank Accounts

Any and all account(s) maintained by FFBL with any bank or financial institution shall, as of the Effective Date, become account(s) between FFCL and such bank or financial institution, subject to the same conditions and incidents as therefore; provided that nothing herein shall affect any right of FFCL to vary the conditions or incidents subject to which any account is kept.

6.9. Instructions

Any existing instruction, order, direction, mandate, power of attorney, authority, undertaking or consent given to FFBL in writing shall have effect, as of the Effective Date, as if given to FFCL.

6.10. Negotiable Instruments

Any negotiable instrument or order for payment of money drawn on or given to, or accepted or endorsed by FFBL, or payable at any place of business of FFBL, whether so drawn, given, accepted or endorsed before, as of the Effective Date, shall have the same effect as of the Effective Date, as if it had been drawn on, or given to, or accepted or endorsed by FFCL, or were payable at the same place of business of FFCL.

6.11. Custody of Documents

The custody of any document, record or goods held by FFBL as bailee and duly recorded in their books that pass to FFBL under any Contract of bailment relating to any such document, record or goods shall on that day become rights and obligations of FFCL.

6.12. Securities:

- (i) Any Security held immediately before the Effective Date by FFBL or by a nominee or agent of or trustee for FFBL, as security for the payment or discharge of any liability and obligation of a Customer shall, as of the Effective Date, be held by, or, as the case may require, by that nominee, agent or trustee for FFCL and be available to FFCL (whether for its own benefit or, as the case may be, for the benefit of any other person) as security for the payment or discharge of that liability and obligation.
- (ii) In relation to any Security vested in FFCL, pursuant to and / or in accordance with the provisions of this Scheme, and any liabilities and obligations thereby secured, FFCL shall be entitled to the rights and priorities to which FFBL would have been entitled if they had continued to hold the Security.
- (iii) Any Security referred to in the foregoing provisions of this paragraph which extends to future advances or liabilities shall, as of the Effective Date, be available to FFCL

(whether for its own benefit or as the case may be, for the benefit of any other person) as security for the payment or discharge of future advances and future liabilities to the same extent and in the same manner in all respects as future advances or liabilities to FFBL or, as the case may be, FFCL, were secured thereby immediately before that time.

- (iv) All Securities of any nature (whether legal or equitable) granted / created by FFBL in favour of its secured creditors, if any, and unless the same have been vacated prior to the Completion Date, will continue to remain operative and effective as Securities in the manner detailed below. In this respect, upon the Amalgamation:
- (a) the *pari passu* Security holders of FFBL, having Securities over the present and future Assets (excluding land and building), or any part or class thereof, of FFBL, shall rank *pari passu* with the *pari passu* Security holders of FFCL, having Securities over the same (class of) combined present and future Assets (excluding land and building) of FFCL;
 - (b) the ranking Security holders of FFBL, having ranking charges / Securities over the present and future Assets (excluding land and building), or any part or class thereof, of FFBL, shall continue to be treated as ranking charges / Securities over the combined Assets (or same class thereof) of FFCL. The ranking of such charges / Securities, along with the ranking of Securities created by FFCL in favour of its creditors, shall be organized and determined based on the date on which the same were registered with the Securities and Exchange Commission of Pakistan, irrespective of which company had created the same;
 - (c) any first exclusive charge or Security interest granted to a creditor of FFBL, by FFBL, over specific assets of FFBL, will continue to remain and retain its priority over such specific Assets (which stand merged with and into FFCL upon the Amalgamation), notwithstanding the time of creation and registration of any other charge / Security;
 - (d) any mortgage over an immovable property of FFBL, granted in favour of a creditor of FFBL, shall continue to remain as is (i.e. over such immovable property which stands transferred to and vested in FFCL upon the Amalgamation); and
 - (e) any mortgage over an immovable property of FFCL, granted in favour of a creditor of FFCL, shall continue to remain as is.

6.13. Legal Proceedings

Where by virtue of this Scheme any right, Claim or Liability of FFBL becomes a right, Claim or Liability of FFCL as of the Effective Date, FFCL shall have the same rights, claims, powers and remedies (and in particular the same rights, Claims and powers as to taking or resisting legal proceedings or making or resisting applications to any authority) for ascertaining, perfecting or enforcing that right, Claim or Liability as if it had at all times been a right, Claim or Liability of FFCL, and any legal proceedings or application to any authority existing or pending immediately before the Effective Date by or against FFBL may be continued by or against FFCL.

6.14. Judgments

Any judgment or award obtained by or against FFBL, and not fully satisfied before the Effective Date shall at that time, to the extent to which it is enforceable by or against FFBL, become enforceable by or against FFCL.

6.15. Evidence

All books and other documents which would, before the Effective Date, have been evidenced in respect of any matter, for or against FFBL, shall be admissible in evidence in respect of the same matter for or against FFCL.

6.16. Authorizations

Any authorizations / powers of attorney granted by FFBL to any persons with respect to the undertaking / business / operations / Assets etc. of FFBL shall continue to subsist subsequent to the Amalgamation and shall be deemed to be authorizations / powers of attorney granted by FFCL to such persons, until or unless otherwise revoked or modified by FFCL.

6.17. Clarification

The provisions contained in Articles 6.2 to 6.16 are without prejudice to the generality of any other provisions in this Scheme, but subject to any provisions in this Scheme to the contrary effect.

ARTICLE 7

CERTAIN OBLIGATIONS AND REPRESENTATIONS

- 7.1. Upon the Amalgamation, FFCL shall take all necessary and expedient steps to properly and efficiently manage its entire business and affairs and shall operate and promote its entire business and affairs in the normal course (to the extent applicable).
- 7.2. As of the Completion Date, but with effect from the Effective Date, FFCL shall undertake, pay, satisfy, discharge, perform and fulfil the Liabilities and Obligations, Contracts, engagements and commitments whatsoever of FFBL.

ARTICLE 8

THE SCHEME'S EFFECT

- 8.1. The provisions of this Scheme shall be effective and binding by operation of law and shall become effective in terms of Article 3.
- 8.2. The execution and / or sanction of this Scheme, and the implementation of the Amalgamation, shall not: (i) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any law for the time being in force; (ii) give rise to any forfeiture; (iii) invalidate or discharge any Contract or Security; (iv) give rise to any right of first refusal or pre-emptive right that any person may have in respect of any investment

made by such person in FFCL and / or FFBL; and / or (v) constitute a contractual transfer, but a transfer by operation of law.

- 8.3. Upon the sanction of this Scheme, as of the Effective Date, the terms of this Scheme shall be binding on FFCL and FFBL, and also on all the respective shareholders / members of FFCL and FFBL, the Customers of each of FFCL and FFBL, the creditors of the companies and on any other person having any right or liability in relation to either of them.
- 8.4. On the Completion Date, and with effect from the Effective Date, this Scheme will override the constitution / constitutive documents of each of FFCL and FFBL, to the extent of any inconsistency.

ARTICLE 9

CONSIDERATION FOR THE AMALGAMATION

- 9.1. As consideration for the Amalgamation, FFCL shall allot and issue an aggregate of 150,870,449 (One Hundred Fifty Million Eight Hundred Seventy Thousand Four Hundred Forty Nine) FFCL Shares to the FFBL Shareholders, credited as fully paid up, at par, on the basis of a swap ratio of 1 (one) FFCL Share for every 4.29 ordinary shares of FFBL, of the face value of PKR 10/- (Pak Rupees Ten) each, held by each FFBL Shareholder (the "**Swap Ratio**"). All entitlements resulting in fractions less than a FFCL Share shall be consolidated into whole FFCL Shares which shall be disposed of / dealt with by FFCL in a manner determined by the Board of Directors of FFCL. All entitlements of the FFBL Shareholders shall be determined in the proportion aforesaid.
- 9.2. The Swap Ratio has been determined and approved by the respective Board of Directors of FFCL and FFBL, based on the calculations and valuations stated in the Swap Letter, based, *inter alia*, on the special purpose consolidated financial statements of the respective companies for the period ended June 30, 2024, financial projections of the companies and other related information, under the net asset value, discounted cash flow and market value based approaches. The Swap Letter has been adopted by the respective Board of Directors of each of FFCL and FFBL.
- 9.3. Subsequent to the Completion Date, at least 7 (seven) days' notice shall be given to the members of FFBL, by FFBL, specifying the Record Date (being the final book closure date) in order to determine the identities of the FFBL Shareholders and their entitlements. Such notice shall also specify the date by which the FFBL Shareholders shall deliver to FFBL (or its share registrar, as directed by FFBL), for cancellation, all the share certificates representing ordinary shares (in physical form) in FFBL held by them and such share certificates shall be delivered to FFBL on or before that date. No trading in the shares of FFBL shall be permitted after the Record Date, including through the PSX.
- 9.4. FFBL shall, within 10 (ten) days of the Record Date, provide FFCL with the list of the FFBL Shareholders along with details of their respective entitlements (based on the Swap Ratio).
- 9.5. The share certificates delivered / to be delivered by the FFBL Shareholders in accordance with Article 9.3 shall stand cancelled (whether or not the same have been surrendered to FFBL by the prescribed date) and the FFBL Shareholders shall be entitled to share certificates / CDC book-entries representing the number of fully paid up FFCL Shares to which the respective

FFBL Shareholder is entitled to in accordance with the provisions of this Scheme. In relation to those FFBL Shareholders who hold shares of FFBL in book entry form through the CDS, on the date specified in the notice, the book entries relating to the shares of FFBL in the CDC accounts of such FFBL Shareholders shall stand cancelled in accordance with the rules and regulations of the CDC. Additionally, as a consequence of the Amalgamation, all the shares of FFBL held by FFCL (and its nominees, if any) shall stand cancelled in the same manner detailed above.

- 9.6. The allotment of the FFCL Shares (in accordance with the provisions of this Article 9) shall be made by FFCL within 30 (thirty) days from the date notified above. The share certificates for such FFCL Shares shall be made ready for delivery as soon as practicable thereafter and notices of their readiness for their delivery shall be given to the FFBL Shareholders in the manner provided in the Articles of Association of FFCL. Share certificates not collected within the time specified in any such notice shall be sent by post in prepaid envelopes addressed to the persons entitled thereto at their respective registered addresses. In the case of joint shareholders, share certificates may be delivered to or may be sent to the address of that one of the joint holders whose name appears first in respect of such joint holding. FFCL shall not be responsible for loss of the share certificates in such transmission. The FFBL Shareholders, holding physical share certificates of FFBL, shall have the option of receiving their entitlement of FFCL Shares in book entry form through the CDS, which they shall intimate in writing to FFBL in advance (which in turn will intimate FFCL of the same at the time of sharing details pertaining to the FFBL Shareholders in accordance with Article 9.4).
- 9.7. With respect to the FFBL Shareholders holding shares of FFBL in book entry form through the CDS, such persons (along with other FFBL Shareholders who have requested to receive FFCL Shares in book entry form), FFCL shall (cause CDC to) credit the respective CDC accounts / sub-accounts of the relevant FFBL Shareholders with book entries relating to the corresponding number of FFCL Shares which the relevant FFBL Shareholder is entitled to in accordance with this Article 9. Such allotment shall be carried out in accordance with the rules and regulations of the CDC.
- 9.8. The FFCL Shares, allotted and issued to the FFBL Shareholders in accordance with the provisions of this Scheme, shall, in all respect, rank *pari passu* with the ordinary shares of FFCL and shall be entitled to all dividends declared by FFCL after the Completion Date.
- 9.9. Any FFCL Shares to be allotted and issued as a consequence of the Amalgamation, in accordance with the provisions of this Article 9, in favour of foreign / non-resident FFBL Shareholders, against the shares of FFBL held by each of them (that have been registered and / or are held and / or are in the process of being registered with the State Bank of Pakistan, on repatriable basis), shall be deemed to be issued and held on repatriable basis (or deemed to be in the same process of registration), and shall be registered by FFCL (to the extent applicable) with the State Bank of Pakistan upon issuance thereof.
- 9.10. Upon the allotment of the FFCL Shares in favour of the FFBL Shareholders in accordance with the provisions of this Scheme, the entitlements of the FFBL Shareholders under this Scheme shall stand satisfied.
- 9.11. Subject to the sanction of this Scheme by the Court, FFBL shall, without winding up, stand dissolved from the date on which all the FFCL Shares, to be allotted by FFCL to the FFBL Shareholders as prescribed above, have been so allotted. Consequently, FFBL shall automatically stand de-listed from the PSX.

ARTICLE 10

EMPLOYEES

- 10.1. On and from the Completion Date, but with effect from the Effective Date, all full time officers and employees (including workmen) of FFBL ("**Employees**") shall become the employees of FFCL (in lieu of their employment with FFBL) at the same level of remuneration and under similar terms and conditions of service, for the time being, which they were receiving or, as the case may be, by which they were governed immediately before the Completion Date, including those relating to entitlements and benefits arising upon termination of services, on the basis of continuation of service (which shall be taken into account for the purposes of all benefits to which such Employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits), except where the employment of any such person(s) is terminated (including pursuant to resignation or otherwise) between the Effective Date and the Completion Date.
- 10.2. On and from Completion Date, all deeds, rules and other instruments relating to any and all provident and / or gratuity funds (or any other funds / schemes pertaining to the Employees) established by FFBL (including all amounts / funds in the nature of monies, investments and otherwise, and including amounts standing to the credit of such provident and / or gratuity funds (or other schemes) on the Completion Date, held by the trustees for the benefit of FFBL's eligible employees who are members and / or beneficiaries thereof), including without limitation, the Fauji Fertilizer Bin Qasim Limited Provident Fund established pursuant to the Trust Deed dated May 14, 1997 (as amended), and the Fauji Fertilizer Bin Qasim Limited Employees' Gratuity Fund established pursuant to the Trust Deed dated March 12, 2003, upon being transferred to and vested in FFCL shall remain in full force and effect, for the benefit of the eligible Employees of FFBL who shall be employees of FFCL (in accordance with Article 10.1), with FFCL as if originally FFCL was a party thereto and was mentioned therein instead of FFBL, and FFCL may enforce all rights and shall perform all obligations and discharge all liabilities arising thereunder accordingly. FFCL and the trustees of such funds shall take necessary steps, including making the necessary / appropriate revisions, amendments and arrangements for the purposes of the above.

ARTICLE 11

GENERAL

11.1. Modifications by the Court

This Scheme shall be subject to such modification of conditions, as the Court may deem expedient to impose. The Board of Directors of FFCL and FFBL respectively may consent to any modifications or additions to this Scheme or to any conditions which the Court may think fit. In case of any difficulty in implementation of any aspect of this Scheme, clarifications, directions and / or approval may be obtained from the Court. Notwithstanding the above, in the event that the terms of this Scheme are not approved by the members and / or creditors of FFCL and / or FFBL (as applicable) in its entirety and / or the Scheme, as approved by the respective companies, is modified by the Court, or otherwise, the Board of Directors of FFCL

and / or FFBL shall be entitled to withdraw this Scheme (whether or not approval from the members and creditors of the respective companies has been obtained).

11.2. Severability

If any provision of this Scheme is found to be unlawful and unenforceable by a competent court of law, then to the fullest extent possible, all of the remaining provisions of the Scheme shall remain in full force and effect.

11.3. Costs and expenses

All costs, charges and expenses in respect of the preparation of this Scheme and carrying the same into effect, including for the implementation of the Amalgamation, shall be borne by FFCL and FFBL.

11.4. Implementation of this Scheme

The respective Board of Directors of FFCL and FFBL, to the extent applicable, are hereby authorized and empowered to take all necessary steps and execute all documents, as they may consider necessary, expedient or appropriate, to give effect to the provisions of this Scheme and for the implementation hereof, including to delegate any powers from time to time.

Rawalpindi.

Dated: September 26, 2024


Brig Zulfiqar Ali Haider (Retd)
Company Secretary
Fauji Fertilizer Co. Ltd

For and on behalf of
FAUJI FERTILIZER COMPANY LIMITED

Name: Brig (Retd) Zulfiqar Ali Haider

Designation: Company Secretary


For and on behalf of
FAUJI FERTILIZER BIN QASIM LIMITED
Brig Khurram Shahzada, SI(M). (Retd)
Company Secretary
Fauji Fertilizer Bin Qasim Limited
FFBL Tower, DHA-II, Islamabad

Name: Brig (Retd) Khurram Shahzada

Designation: Company Secretary

LIST OF ANNEXURES

- "Annexure A"** – List of current members of Board of Directors of FFCL.
- "Annexure B"** – List of current members of Board of Directors of FFBL.
- "Annexure C"** – List of owned immovable properties comprising the Assets of FFBL.
- "Annexure D"** – Swap Letter dated September 20, 2024, issued by KPMG Taseer Hadi & Co.

ANNEXURE A

**LIST OF CURRENT MEMBERS OF THE BOARD OF DIRECTORS OF
FAUJI FERTILIZER COMPANY LIMITED**

Lt. Gen. Anwar Ali Hyder (Retd.)

Mr. Jahangir Piracha

Mr. Mazhar Abbas Hasnani

Maj. Gen. Zafar Ul Haq (Retd.)

Mr. Saad Amanullah Khan

Ms. Maryam Aziz

Syed Bakhtiyar Kazmi

Mr. Shoaib Javed Hussain

Mr. Jehangir Shah

Dr. Ayesha Khan

Mr. Yassir Ghiyati Ibn Ziyad

Mr. Qamar Haris Manzoor

Mr. Saif Anjum

ANNEXURE B

**LIST OF CURRENT MEMBERS OF THE BOARD OF DIRECTORS OF
FAUJI FERTILIZER BIN QASIM LIMITED**

Lt. Gen. Anwar Ali Hyder (Retd.)

Mr. Arif ur Rehman

Mr. Jahangir Piracha

Maj. Gen. (Retd.) Muhammad Ihsanullah

Mr. Syed Bakhtiyar Kazmi

Mr. Qamar Haris Manzoor

Ms. Pouruchisty Sidhwa

Ms. Saira Nasir

Mr. Bahauddin Khan

ANNEXURE C

LIST OF OWNED IMMOVABLE PROPERTIES COMPRISING THE ASSETS OF FAUJI FERTILIZER BIN QASIM LIMITED

1. Plot No. C1/C2, Sector B, Jinnah Boulevard, D.H.A. Phase II, Islamabad, Pakistan, together with any factory, warehouse, office buildings and other buildings and structures constructed thereon, together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto (admeasuring 2 acres or thereabouts).
2. All that piece or parcel of land situated at Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi, together with any factory, warehouse, office buildings and other buildings and structures constructed thereon, together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto (admeasuring 250 acres or thereabouts).
3. All that piece or parcel of land situated at Plot No. OZ/I/ P-53, South Western Zone, Port Qasim, Karachi (Tank Farm Area), together with any factory, warehouse, office buildings and other buildings and structures constructed thereon, together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto (admeasuring 8 acres or thereabouts).
4. All that piece or parcel of land situated at Deh Tapo Gharo, Taluka Mirpur Sakro, District Thatta (FFBL Township land), Survey No. 1617, near Rangers Check Post, opposite Naval Marine Base, National Highway, Karachi, together with any factory, warehouse, office buildings and other buildings and structures constructed thereon, together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto (admeasuring 202.22 acres or thereabouts).
5. All that piece or parcel of agricultural land situated at Mouza Thatta Raika and Mouza Bahuman, adjacent to Crescent Bahuman Limited, main Lahore-Sargodha Road, Tehsil Pindi Bhattian, District Hafizabad, together with any factory, warehouse, office buildings and other buildings and structures constructed thereon, together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto (admeasuring 166.387 acres or thereabouts). The details of this agricultural land i.e. Khewat and Khatoni no., are as under:

Khewat No.	Khatooni No.	Khasra Nos.	Qitat	Mutation No.	Kanals	Marlas
258/257	287	1393, 1394, 1395, 1396, 1400, 1401, 1402, 1403, 1404, 1405, 1406, 1407, 1408, 1409, 1410, 1411, 1412, 1413, 1414, 1415, 1416, 1417, 1418, 1419, 1420, 1421, 1423, 1424, 1425, 1426, 1427, 1428, 1429, 1430, 1431, 1432, 1433, 1434, 1435, 1436, 1437, 1438, 1439, 1440, 1441, 1442, 1443, 1444, 1445, 1446, 1447, 1448, 1449, 1550, 1551, 1552, 1453, 1461, 1462, 1471, 1472, 1475, 1525, 1526, 1527, 1528, 1529, 1530, 1536, 1537, 1538, 1539, 1540, 1541, 1547, 1548, 1549, 1550, 1551, 1552, 1553, 1554, 1555, 1556, 1557, 1558, 1559, 1560, 1561, 1562, 1563, 1564, 1565, 1566, 1567, 1568, 1569, 1570, 1571, 1572, 1573, 1574, 1575, 1576, 1577, 1578, 1579, 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1589, 1590, 1591, 1592, 1593, 1594, 1595, 1596, 1603, 1661, 1662, 1663, 1664, 1665, 1666, 1671, 1672, 1673, 1674, 1675, 1676, 1677, 1678, 1679, 1680	141	433 and 803	1,183	17
238/229	360 to 361	2081, 2082, 2083, 2093, 2094, 2095, 2096, 2105, 2106, 2107, 2108, 2109, 2125, 2126, 2127, 2128, 2129, 2130.	18	674 & 1158	147	5
			-	-	1,330	22



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

Private & Confidential

The Board of Directors
Fauji Fertilizer Company Limited
156, The Mall
Rawalpindi
Pakistan

The Board of Directors
Fauji Fertilizer Bin Qasim Limited
156, The Mall
Rawalpindi
Pakistan

Our ref I – 185– 2024

20 September 2024

Dear Sirs,

Proposed merger / amalgamation of Fauji Fertilizer Bin Qasim Limited with and into Fauji Fertilizer Company Limited– Calculation of Swap Ratio

With reference to our engagement letter No. I-798-2024 dated 02 August 2024, we have been engaged jointly by Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) to assist in fair value assessment and compilation of a share swap ratio for the proposed merger/ amalgamation of FFBL with and into FFCL in terms of a Scheme of Arrangement under Sections 279 to 282 and 285(8) of the Companies Act 2017.

FFCL, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, is incorporated, and existing under the laws of Pakistan and having its registered office at 156, The Mall, Rawalpindi, Punjab, Pakistan.

FFBL, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, is incorporated and existing under the laws of Pakistan and having its registered office at 156, The Mall, Rawalpindi, Punjab, Pakistan.

KPMG TH



KPMG Taseer Hadi & Co.

We understand that FFCL and FFBL intend to enter into a Scheme of Arrangement for the transfer and vesting of the entire undertaking of FFBL with and into FFCL against the issuance of shares of FFCL to the shareholders of FFBL (other than FFCL). As a consequence of the same FFBL shall be dissolved without winding up.

The Scheme of Arrangement is envisaged to be effective from the start of business at 00:00 hours on July 1, 2024, or such other date as may be stated by the Honorable Lahore High Court, Rawalpindi Bench.

Shareholding information:

- The authorized share capital of FFCL is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 1,272,238,247 (One Billion Two Hundred Seventy-Two Million Two Hundred Thirty-Eight Thousand Two Hundred Forty-Seven) ordinary shares have been issued, fully subscribed to and paid up.
- The authorized share capital of FFBL is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees 10) each, out of which 1,291,252,857 (One Billion Two Hundred Ninety-One Million Two Hundred Fifty-Two Thousand Eight Hundred Fifty-Seven) ordinary shares have been issued, fully subscribed to and paid up.
- FFCL owns 644,018,629 issued, fully subscribed to and paid-up ordinary shares in FFBL constituting approximately 49.88% of the total issued, fully subscribed to and paid-up ordinary shares of FFBL.

All the shares of FFBL, including the shareholding of FFCL in FFBL (i.e., 644,018,629 issued, fully subscribed to and paid-up ordinary shares), shall stand cancelled upon the passing of the order by the Court under Sections 279 / 282 of the Companies Act 2017.

Fair value assessment and share swap:

We have performed the fair value assessment of FFCL and FFBL based on internationally accepted valuation approaches. The valuation has been performed on the valuation cut-off date of 30 June 2024.

The fair value assessment has been performed under the following approaches:

1. Discounted cash flow valuation
2. Net asset valuation
3. Market valuation

KPMG TH



KPMG Taseer Hadi & Co.

Discounted cash flow valuation

The discounted cash flow valuation has been derived based on the business plan information as shared by FFCL and FFBL including financial projections upto the year ending 31 December 2029. Further we were provided other information and explanations as and when required. We have not conducted any verification of the financial projections, and related information provided to us.

	FFCL	FFBL
Discounted cash flow valuation (mid-point) – PKR/ share	328.85	60.93
Share swap ratio – Ratio	1	5.40
Eligible FFBL shares for swap (i.e., for shareholders of FFBL other than FFCL) – Number of shares	647,234,228	
FFCL shares to be issued under the swap – Number of shares	119,918,029	

Net asset valuation

The net asset valuation has been derived from the special purpose consolidated financial statements of FFCL and FFBL for the period ended 30 June 2024 reviewed by their respective auditors. All components of the consolidated financial statements of FFCL and FFBL are audited as of 30 June 2024, except for the financial statements of Askari Bank Limited which have been reviewed by its auditors.

We have not conducted any independent verification of the said special purpose consolidated financial statements.

	FFCL	FFBL
Net asset valuation – PKR/ share	137.05	43.69
Share swap ratio – Ratio	1	3.14
Eligible FFBL shares for swap (i.e., for shareholders of FFBL other than FFCL) – Number of shares	647,234,228	
FFCL shares to be issued under the swap – Number of shares	206,343,448	

KPMG TH



KPMG Taseer Hadi & Co.

Market valuation

The market valuation has been derived as the simple average of six months share price of FFCL and FFBL quoted on the Pakistan Stock Exchange Limited (closing quote - from 01 January 2024 to 30 June 2024).

	FFCL	FFBL
Market valuation – PKR/ share	129.50	29.65
Share swap ratio – Ratio	1	4.37
Eligible FFBL shares for swap (i.e., for shareholders of FFBL other than FFCL) – Number of shares	647,234,228	
FFCL shares to be issued under the swap –Number of shares	148,173,333	

Submissions:

Based on the aforementioned valuations, the respective Board of Directors of FFBL and FFCL may consider the following calculations to determine an appropriate swap ratio for the merger/ amalgamation of FFBL with and into FFCL.

Basis of Valuation	FFCL PKR/ Share	FFBL PKR/ Share	Swap Ratio
Discounted Cash Flow Value	328.85	60.93	1 : 5.40
Net Asset Value	137.05	43.69	1 : 3.14
Market Value (6 months average)	129.50	29.65	1 : 4.37
Average Value	198.47	44.76	1 : 4.43
On 30 July 2024, the Board of Directors of FFCL recommended an interim dividend of PKR 10.00 per share for the period ending 30 June 2024. After factoring in the interim dividend, the average swap ratio approximates to 1 : 4.29.			

The letter is intended to assist the respective Boards of FFCL and FFBL in forming a view on the swap ratio; the decision with respect to the appropriate share swap ratio shall rest with the Board of Directors and shareholders of each of FFCL and FFBL.

Yours faithfully,

KPMG Taseer Hadi & Co.



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

Private & Confidential

The Board of Directors
Fauji Fertilizer Company Limited
156, The Mall
Rawalpindi
Pakistan

The Board of Directors
Fauji Fertilizer Bin Qasim Limited
156, The Mall
Rawalpindi
Pakistan

Our ref I – 185– 2024

20 September 2024

Dear Sirs,

Proposed merger / amalgamation of Fauji Fertilizer Bin Qasim Limited with and into Fauji Fertilizer Company Limited– Calculation of Swap Ratio

With reference to our engagement letter No. I-798-2024 dated 02 August 2024, we have been engaged jointly by Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) to assist in fair value assessment and compilation of a share swap ratio for the proposed merger/ amalgamation of FFBL with and into FFCL in terms of a Scheme of Arrangement under Sections 279 to 282 and 285(8) of the Companies Act 2017.

FFCL, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, is incorporated, and existing under the laws of Pakistan and having its registered office at 156, The Mall, Rawalpindi, Punjab, Pakistan.

FFBL, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, is incorporated and existing under the laws of Pakistan and having its registered office at 156, The Mall, Rawalpindi, Punjab, Pakistan.

KPMG TH



KPMG Taseer Hadi & Co.

We understand that FFCL and FFBL intend to enter into a Scheme of Arrangement for the transfer and vesting of the entire undertaking of FFBL with and into FFCL against the issuance of shares of FFCL to the shareholders of FFBL (other than FFCL). As a consequence of the same FFBL shall be dissolved without winding up.

The Scheme of Arrangement is envisaged to be effective from the start of business at 00:00 hours on July 1, 2024, or such other date as may be stated by the Honorable Lahore High Court, Rawalpindi Bench.

Shareholding information:

- The authorized share capital of FFCL is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 1,272,238,247 (One Billion Two Hundred Seventy-Two Million Two Hundred Thirty-Eight Thousand Two Hundred Forty-Seven) ordinary shares have been issued, fully subscribed to and paid up.
- The authorized share capital of FFBL is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion), divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pak Rupees 10) each, out of which 1,291,252,857 (One Billion Two Hundred Ninety-One Million Two Hundred Fifty-Two Thousand Eight Hundred Fifty-Seven) ordinary shares have been issued, fully subscribed to and paid up.
- FFCL owns 644,018,629 issued, fully subscribed to and paid-up ordinary shares in FFBL constituting approximately 49.88% of the total issued, fully subscribed to and paid-up ordinary shares of FFBL.

All the shares of FFBL, including the shareholding of FFCL in FFBL (i.e., 644,018,629 issued, fully subscribed to and paid-up ordinary shares), shall stand cancelled upon the passing of the order by the Court under Sections 279 / 282 of the Companies Act 2017.

Fair value assessment and share swap:

We have performed the fair value assessment of FFCL and FFBL based on internationally accepted valuation approaches. The valuation has been performed on the valuation cut-off date of 30 June 2024.

The fair value assessment has been performed under the following approaches:

1. Discounted cash flow valuation
2. Net asset valuation
3. Market valuation

KPMG TH



KPMG Taseer Hadi & Co.

Discounted cash flow valuation

The discounted cash flow valuation has been derived based on the business plan information as shared by FFCL and FFBL including financial projections until the year ending 31 December 2029. Further we were provided other information and explanations as and when required. We have not conducted any verification of the financial projections, and related information provided to us.

	FFCL	FFBL
Discounted cash flow valuation (mid-point) – PKR/ share	328.85	60.93
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We have not conducted any independent verification of the said special purpose consolidated financial statements.

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KPMG TH



KPMG Taseer Hadi & Co.

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Submissions:

Based on the aforementioned valuations, the respective Board of Directors of FFBL and FFCL may consider the following calculations to determine an appropriate swap ratio for the merger/ amalgamation of FFBL with and into FFCL.

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The letter is intended to assist the respective Boards of FFCL and FFBL in forming a view on the swap ratio; the decision with respect to the appropriate share swap ratio shall rest with the Board of Directors and shareholders of each of FFCL and FFBL.

Yours faithfully,

KPMG Taseer Hadi & Co.

FAUJI FERTILIZER COMPANY LIMITED

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

FOR SIX MONTH PERIOD ENDED

JUNE 30, 2024



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fauji Fertilizer Company Limited

Opinion

We have audited the special purpose financial statements of Fauji Fertilizer Company Limited (the Company), which comprise the special purpose statement of financial position as at June 30, 2024, and the special purpose statement of profit or loss, the special purpose statement of profit or loss and other comprehensive income, the special purpose statement of changes in equity, the special purpose statement of cash flows for the six month period then ended, and notes to the special purpose financial statements, including material accounting policy information and other explanatory information (herein-after referred to as the financial statements).

In our opinion, the accompanying financial statements of the Company for the six month period ended June 30, 2024 are prepared, in all material respects, in accordance with the basis of preparation described in note 2 to the financial statements.

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 ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared by the management to accompany the scheme of arrangement to be filed with the Court for the potential amalgamation of Fauji Fertilizer Bin Qasim Limited, a group company, with and into the Company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and the Court and should not be distributed to or used by any parties other than the Company or the Court. Our opinion is not modified in respect of this matter.

Other Matter

The Company has also prepared a separate set of condensed interim financial statements for the six month period ended June 30, 2024, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting, on which we issued a separate auditor's review report to the members of the Company on August 28, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of preparation described in note 2 to the financial statements and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924; <www.pwc.com/pk>

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Those charged with governance 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.

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.

We communicate with those charged with governance 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.



Chartered Accountants
Islamabad

Date: September 24, 2024

Engagement Partner: Aftab Ahmed

FAUJI FERTILIZER COMPANY LIMITED
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	June 30, 2024	December 31, 2023		Note	June 30, 2024	December 31, 2023
		(Rupees '000)				(Rupees '000)	
EQUITY AND LIABILITIES				ASSETS			
EQUITY AND RESERVES				NON - CURRENT ASSETS			
Share capital	5	12,722,382	12,722,382	Property, plant and equipment	13	43,133,935	40,223,171
Capital reserves	6	160,000	160,000	Intangible assets	14	1,571,159	1,571,908
Revenue reserves				Long term investments	15	53,906,606	48,720,461
General reserves		8,802,360	8,802,360	Long term loans and advances - secured	16	3,060,607	2,629,638
Unappropriated profit		54,581,715	40,272,228	Long term deposits and prepayments	17	15,362	12,378
		63,384,075	49,074,588			101,687,669	93,157,556
Surplus / (deficit) on remeasurement of investments to fair value - net		31,028	(104,460)				
		76,297,485	61,852,510				
NON - CURRENT LIABILITIES							
Long term borrowings - secured	7	14,750,000	18,200,000				
Deferred liabilities	8						
- Deferred taxation		4,815,808	2,275,925				
- Compensated leave absences		1,949,559	1,735,749				
		21,515,367	22,211,674				
CURRENT LIABILITIES				CURRENT ASSETS			
Current portion of long term borrowings - secured	7	6,497,500	6,095,000	Stores, spares and loose tools	18	8,654,773	7,784,354
Current portion of lease liabilities		-	17,437	Stock in trade	19	3,781,452	2,067,922
Trade and other payables	9	114,374,890	108,256,161	Trade debts	20	212,750	48,503
Mark-up and profit accrued	10	935,246	1,304,263	Loans and advances - secured	21	2,381,402	3,415,379
Short term borrowings - secured	11	7,290,885	13,737,746	Deposits and prepayments	22	73,695	711,006
Unclaimed dividend		526,790	516,867	Other receivables	23	16,928,837	20,500,720
Provision for taxation		15,546,172	9,289,030	Short term investments	24	107,945,845	94,736,901
		145,171,483	139,216,504	Cash and bank balances	25	1,317,912	858,347
						141,296,666	130,123,132
TOTAL LIABILITIES		166,686,850	161,428,178				
TOTAL EQUITY AND LIABILITIES		242,984,335	223,280,688	TOTAL ASSETS		242,984,335	223,280,688
CONTINGENCIES AND COMMITMENTS	12						

The annexed notes 1 to 44 form an integral part of these special purpose financial statements.

ABG

Chairman

Tahangir

Chief Executive

Director

Chief Financial Officer

FAUJI FERTILIZER COMPANY LIMITED
SPECIAL PURPOSE STATEMENT OF PROFIT OR LOSS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2024

	Note	Six month period ended June 30, 2024	Year ended December 31, 2023
		(Rupees '000)	
Turnover - net	26	115,574,198	159,471,951
Cost of sales	27	(67,154,274)	(95,219,741)
GROSS PROFIT		48,419,924	64,252,210
Distribution cost	28	(10,736,484)	(12,683,864)
		37,683,440	51,568,346
Finance costs	29	(2,885,696)	(5,623,775)
Other losses			
- Unwinding of GIDC liability	9.1	(198,747)	(1,160,336)
- Loss allowance on subsidy receivable from GoP and others	23.5	(955,000)	(2,900,000)
		(1,153,747)	(4,060,336)
Other expenses	30	(4,234,291)	(5,433,935)
Other income	31	15,770,138	17,096,950
PROFIT BEFORE INCOME TAX AND FINAL TAX		45,179,844	53,547,250
Final taxes - levies	32	(1,971,478)	(2,856,821)
PROFIT BEFORE INCOME TAX		43,208,366	50,690,429
Provision for taxation	33	(17,137,722)	(21,017,081)
PROFIT FOR THE PERIOD / YEAR		26,070,644	29,673,348
Earnings per share - basic and diluted (Rupees)	34	20.49	23.32

The annexed notes 1 to 44 form an integral part of these special purpose financial statements.

ABF


Chairman


Chief Executive


Director


Chief Financial Officer

FAUJI FERTILIZER COMPANY LIMITED
SPECIAL PURPOSE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR SIX MONTH PERIOD ENDED JUNE 30, 2024

Six month period ended June 30, 2024	Year ended December 31, 2023
(Rupees '000)	

PROFIT FOR THE PERIOD / YEAR 26,070,644 29,673,348

OTHER COMPREHENSIVE INCOME / (LOSS)

Items that may be subsequently reclassified to profit or loss:

Surplus on re-measurement of investments to fair value -
net of tax

135,488	10,428
452,330	(167,884)

Items that will not be subsequently reclassified to profit or loss:

Gain / (loss) on re-measurement of staff retirement benefit plans -
net of tax

OTHER COMPREHENSIVE INCOME / (LOSS) - NET OF TAX 587,818 (157,456)

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR 26,658,462 29,515,892

The annexed notes 1 to 44 form an integral part of these special purpose financial statements.

ABFO


Chairman


Chief Executive


Director


Chief Financial Officer

FAUJI FERTILIZER COMPANY LIMITED
SPECIAL PURPOSE STATEMENT OF CHANGES IN EQUITY
FOR SIX MONTH PERIOD ENDED JUNE 30, 2024

	Share capital	Capital reserves	Revenue reserves		Surplus / (deficit) on remeasurement of investments to fair value - net	Total
			General reserves	Unappropriated profit		
				(Rupees '000)		
Balance as at January 1, 2023	12,722,382	160,000	8,802,360	29,265,107	(114,888)	50,834,961
Total comprehensive income for the year						
Profit for the year	-	-	-	29,673,348	-	29,673,348
Other comprehensive (loss) / income - net of tax	-	-	-	(167,884)	10,428	(157,456)
	-	-	-	29,505,464	10,428	29,515,892
Transactions with owners of the Company						
Distributions:						
Final dividend 2022: Rs 3.15 per share	-	-	-	(4,007,550)	-	(4,007,550)
First interim dividend 2023: Rs 4.26 per share	-	-	-	(5,419,735)	-	(5,419,735)
Second interim dividend 2023: Rs 3.15 per share	-	-	-	(4,007,550)	-	(4,007,550)
Third interim dividend 2023: Rs 3.98 per share	-	-	-	(5,063,508)	-	(5,063,508)
	-	-	-	(18,498,343)	-	(18,498,343)
Balance as at December 31, 2023	12,722,382	160,000	8,802,360	40,272,228	(104,460)	61,852,510
Total comprehensive income for six month period						
Profit for the period	-	-	-	26,070,644	-	26,070,644
Other comprehensive income - net of tax	-	-	-	452,330	135,488	587,818
	-	-	-	26,522,974	135,488	26,658,462
Transactions with owners of the Company						
Distributions:						
Final dividend 2023: Rs 4.10 per share	-	-	-	(5,216,177)	-	(5,216,177)
First interim dividend 2024: Rs 5.50 per share	-	-	-	(6,997,310)	-	(6,997,310)
	-	-	-	(12,213,487)	-	(12,213,487)
Balance as at June 30, 2024	<u>12,722,382</u>	<u>160,000</u>	<u>8,802,360</u>	<u>54,581,715</u>	<u>31,028</u>	<u>76,297,485</u>

The annexed notes 1 to 44 form an integral part of these special purpose financial statements.



Chairman



Chief Executive



Director



Chief Financial Officer

FAUJI FERTILIZER COMPANY LIMITED
SPECIAL PURPOSE STATEMENT OF CASH FLOWS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2024

		Six month period ended June 30, 2024	Year ended December 31, 2023
	Note		
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	50,696,971	85,853,236
Finance cost paid		(3,254,713)	(5,822,890)
Income taxes and levies paid		(9,899,401)	(19,152,188)
		(13,154,114)	(24,975,078)
Net cash generated from operating activities		37,542,857	60,878,158
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,315,981)	(15,120,161)
Proceeds from sales of operating fixed assets		17,818	90,065
Investment in Fauji Fresh n Freeze Limited		(5,000,000)	-
Investment in Thar Energy Limited		-	(226,908)
Advance against issue of shares to:			
OLIVE Technical Services (Private) Limited		(80,000)	-
Other investments - net		(65,916)	6,259,785
Interest and profit received		780,552	1,337,024
Dividend received		5,784,918	1,800,000
Net cash (used in) investing activities		(2,878,609)	(5,860,195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing:			
Draw-downs		-	8,000,000
Repayments		(3,047,500)	(5,445,000)
Repayment of lease liabilities		(17,437)	(18,301)
Dividend paid		(12,203,564)	(18,460,152)
Net cash (used in) financing activities		(15,268,501)	(15,923,453)
Net increase in cash and cash equivalents		19,395,747	39,094,510
Cash and cash equivalents at beginning of the period / year		79,766,068	39,784,483
Effect of exchange rate changes		(62,905)	887,075
Cash and cash equivalents at end of the period / year		99,098,910	79,766,068
CASH AND CASH EQUIVALENTS			
Short term highly liquid investments	24	105,071,883	92,645,467
Cash and bank balances	25	1,317,912	858,347
Short term borrowings	11	(7,290,885)	(13,737,746)
		99,098,910	79,766,068

The annexed notes 1 to 44 form an integral part of these special purpose financial statements.


Chairman


Chief Executive


Director


Chief Financial Officer

FAUJI FERTILIZER COMPANY LIMITED**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2024****1. CORPORATE AND GENERAL INFORMATION****1.1 The Company and its operations**

Fauji Fertilizer Company Limited (the Company) is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical, cement, energy generation, food processing and banking operations. The Company is a subsidiary of Fauji Foundation (FF), which is also its ultimate parent entity.

The business units of the Company include the following:

Business unit	Graphical location
Registered office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
<u>Production plants</u>	
Goth Machhi	Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab
Mirpur Mathelo	Mirpur Mathelo (District: Ghotki), Sindh
Karachi office	B-35, KDA Scheme No. 1, Karachi, Sindh
Marketing division	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab

Zonal marketing offices

North zone	Lahore Trade Centre, 11 Sharah-e-Aiwan-e-Tijarat Lahore, Punjab
Central zone	Ali Maskan, District Jail Road, Multan, Punjab
South zone	B-35, KDA Scheme # 1, Karsaz, Karachi, Sindh

Regional marketing offices

Faisalabad region	House No. 786, Street No. 5, Zia Town, East Canal Road, Faisalabad
Sahiwal region	77-B, Canal Colony, Off Farid Town Road, Sahiwal, Punjab
Lahore region	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Sarghodha region	Banglow No.35 Shah Muhammad Colony Main Faisalabad Road, Sargodha Cantt.
Peshawar region	9-B, Rafiqi Lane, Peshawar Cantt, Khyber Pakhtunkhwa
Bahawalpur region	House No. 39-A Tipu Shaheed Road, Model Town A, Bahawalpur, Punjab
D. G. Khan region	FFC Regional Office, House No. 46 - B ,Gulberg Colony, Multan Road, DG Khan
Multan region	Ali-Maskan, District Jail Road, Multan, Punjab
Rahim Yar Khan region	37-A, Ali Block, Abbasia Town, Rahim Yar Khan, Punjab
Vehari region	House No.48 Quaid e Azam Block Ludden Road, Tariq Bin Ziyad Colony, Vehari, Punjab
Hyderabad region	Bungalow No. 208, DHA, Phase-2, Hyderabad Cantt, Sindh
Sukkur region	FFC Regional Office, B-247,248 Awakhat Nagar, Airport Road Sukkur
Nawabshah region	House No. A-11, Housing Society, Near Thalassemia Hospital, Nawabshah, Sindh

The Company has district marketing offices and warehouses located across Pakistan, the region-wise details of which are listed below:

	No. of district offices	No. of warehouses
Faisalabad region	5	12
Sahiwal region	4	9
Lahore region	6	13
Sargodha region	5	9
Peshawar region	5	10
Bahawalpur region	4	8
D. G. Khan region	4	9
Multan region	4	8
Rahim Yar Khan region	4	5
Vehari region	4	11
Hyderabad region	6	11
Sukkur region	7	14
Nawabshah region	5	9
	63	128

2. BASIS OF PREPARATION

2.1 Statement of compliance

These non-statutory special purpose financial statements (financial statements) have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan, except that the corresponding figures in the special purpose statement of profit or loss, the special purpose statement of profit or loss and other comprehensive income, the special purpose statement of changes in equity, the special purpose statement of cashflows and the related notes to and forming part of the special purpose financial statements are for the year ended December 31, 2023 and, therefore are not entirely comparable. The accounting and reporting standards as 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 the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.1.1 These financial statements have been prepared by the management to accompany the scheme of arrangement to be filed with the Court for the potential amalgamation of Fauji Fertilizer Bin Qasim Limited, a group company, with and into the Company. As a result, these financial statements may not be suitable for another purpose.

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 obligations for staff retirement benefits which are carried at present values of defined benefit obligations net of fair value of plan assets determined through actuarial valuation.

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

Atto

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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 are as follows:

- i) Employee retirement benefits - note 3.3, 8.2 and 9.4
- ii) Estimate of fair value of financial liabilities at initial recognition - note 3.13 and 9.1
- iii) Estimate of useful life of property, plant and equipment - note 3.5 and 13
- iv) Estimate of useful life of intangible assets - note 3.6 and 14
- v) Estimate of fair value of investments through other comprehensive income - note 3.13 and 15
- vi) Provisions and contingencies - note 3.1, 3.2 and 12
- vii) Impairment of non-financial assets - note 3.8 and 13
- viii) Estimate of recoverable amount of goodwill - note 3.6 and 14
- ix) Estimate of recoverable amount of investment in subsidiaries and associated companies - note 3.7 and 15
- x) Provision for taxation - note 3.4 and 33
- xi) Expected credit loss allowance - note 3.11, 20 and 23
- xii) Provision for slow moving spares and stock in trade - note 3.9, 3.10, 18 and 19

2.5 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



3. MATERIAL ACCOUNTING POLICY INFORMATION

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

3.1 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.2 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.3 Employee retirement benefits

3.3.1 Defined benefit plans

Funded Gratuity and Pension Schemes

The Company operates defined benefit funded gratuity and pension schemes for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 9.4 to the financial statements.

Charge for the period / year is recognized in profit or loss. Actuarial gain or losses arising on actuarial valuation are recorded directly in the other comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.3.2 Defined contribution plan

Provident Fund

Defined contribution provident fund for all eligible employees for which the Company's contributions are charged to profit or loss at the rate of 10% of basic salary.

3.3.3 Compensated absences

The Company grants compensated absences to all its employees who have completed one year's working service with the Company in accordance with the rules. Under this scheme, employees are entitled to a maximum of 30 days leaves for each completed year of service. Provisions are made in accordance with the actuarial recommendation. Actuarial valuation is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognised in the profit or loss in the period / year in which they arise.



3.4 Taxation

Income tax expense comprises current and deferred tax.

Current tax

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

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

Deferred tax

Deferred tax is recognized in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

3.4.1 Accounting guidance issued by ICAP on accounting for minimum taxes and final taxes

Institute of Chartered Accountants of Pakistan (ICAP) issued a guidance "Application Guidance on Accounting for Minimum Taxes and Final Taxes" through circular No. 07/2024 dated May 15, 2024. In light of the said guidance, as the minimum taxes and final taxes are not calculated on the 'taxable profit' as defined in IAS - 12 but calculated on turnover or other basis (as per relevant sections of the Income Tax Ordinance, 2001 (ITO, 2001)), accordingly minimum taxes and final taxes should be accounted for under IAS 37/ IFRIC 21 as levies (though these are charged under tax law) and not under IAS - 12 as income taxes. Based on the guidance, the minimum taxes under ITO, 2001 are hybrid taxes which comprise of a component within the scope of IAS 12 (Income Tax) and a component within the scope of IFRIC 21 (Levies) and final taxes fall under levy within the scope of IAS 37/ IFRIC 21.

ABF

The aforesaid guidance has been applied retrospectively by the Company and the comparative information has been reclassified, which has not affected current period or prior years' net turnover, profit for the period, equity and cash flows. Impact as of January 1, 2023 is not material to these financial statements and accordingly, a third statement of financial position has not been presented. The effects of the amounts reclassified are as follows:

	Balance before reclassification	Impact (Rupees '000)	Balance after reclassification
Statement of financial position			
December 31, 2023			
Current liabilities			
Provision for taxation	10,678,645	(1,389,615)	9,289,030
Trade and other payables	106,866,546	1,389,615	108,256,161

Statement of profit or loss

In the statement of profit or loss, the final taxes previously presented as income taxes have now been reclassified as "final taxes - levies" under IAS 37/ IFRIC 21, amounting to Rs 2,856,821 thousand for the year ended December 31, 2023.

Accordingly, reclassification have also been made in the statement of cash flows to conform to the current period's presentation.

3.5 Property, plant and equipment and capital work in progress

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

Depreciation is provided on a straight-line basis and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13 to the financial statements. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

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

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

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

3.6 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss.

Atty

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense in profit or loss and is not subsequently reversed.

With finite useful life

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Rates for amortization are disclosed in note 14 in the financial statements. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

3.7 Investment in subsidiaries, associated entities and joint arrangements

i) In subsidiary entities

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. Investment in subsidiary is initially recognized at cost, which is the fair value of the consideration paid / payable on acquisition of the subsidiary. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognized as an expense in profit or loss. Where impairment loss subsequently reverses, the carrying amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries which are recognized in other income. Gains and losses on disposal of investment is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.


ii) In associated companies

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

The profits and losses of associates are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates which are recognized in other income. Gains and losses on disposal of investment is included in other income.

iii) Interest in joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations that each investor has, rather than the legal structure of the joint arrangement.



Joint operations

The Company reports its interests in joint operations using proportionate consolidation - the Company's share of the assets, liabilities, income and expenses of the joint operations are combined with the equivalent items in the financial statements on a line-by-line basis. Where the Company transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Company's interest in the joint operation.

Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit or loss.

The profits and losses of joint ventures are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates which are recognized in other income. Gains and losses on disposal of investment is included in other income.

3.8 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories, 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 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 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, spares and loose tools

Stores, spares and loose tools 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, spare parts and loose tools on a regular basis and provision is made for obsolescence.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and as appropriate, these are written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

ABW

3.10 Stock in trade

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

Cost is determined as follows:

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

Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. 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.

The Company reviews the carrying amount of stock in trade on a regular basis and as appropriate, these are written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

3.11 Trade debts

These are recognized and carried at the original invoice amounts, being the fair value, less loss allowance, if any. For measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses. IFRS 9 introduces the Expected Credit Loss (ECL) model which requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

ABK

3.12 Turnover

Turnover from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognized when or as performance obligations are satisfied by transferring control of promised goods to a customer and control transfers at a point in time upon delivery of goods to the customer.

Turnover is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Scrap sales and miscellaneous receipts are recognized on realized amounts. The credit limits in contracts with customers normally range from 30 days to 120 days.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in other income.

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- (i) Amortised cost, where the effective interest rate method will apply;
- (ii) Fair value through profit or loss (FVTPL);
- (iii) Fair value through other comprehensive income (FVTOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

ABF

Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as separate line item in the profit or loss.

Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company recognises life time ECL for trade debts and other receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and other receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Recognition of loss allowance

The Company recognizes an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

ABW

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

(b) Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) 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 being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Abdo

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

3.14 Cash and cash equivalents

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

3.15 Business combinations

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

4. SUMMARY OF OTHER ACCOUNTING POLICIES

Other than material accounting policies applied in the preparation of these financial statements are set out below for ease of user's understanding of these financial statements. These policies have been applied consistently for all periods presented, unless otherwise stated.

4.1 Foreign currency transaction and translation

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

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4.2 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved. Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

4.3 Trade and other payables

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

4.4 Deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. For measurement of loss allowance for advances, deposits and other receivables, the Company applies the IFRS 9 simplified approach to measure the expected credit losses.

4.5 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the year they occur.

4.6 Government Grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Government grant includes any benefit earned on account of a government loan obtained at below-market rate of interest. The loan is recognised and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Company is recognised in profit or loss of the period in which the entity qualifies to receive it.

4.7 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

4.8 Finance income and finance costs

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

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

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

4.9 Basis of allocation of common expenses

Distribution cost is allocated to Fauji Fertilizer Bin Qasim Limited (FFBL), in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

4.10 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 year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.11 Leases

4.11.1 Right of use asset

The Company assesses whether a contract is or contains a lease at inception of the contract. If the Company assesses contract contains a lease and meets requirements of IFRS 16, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.11.2 Lease liability

If applicable, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

- a. fixed payments, including in-substance fixed payments;
- b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c. amounts expected to be payable under a residual value guarantee; and

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- d. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company has opted not to recognize right of use assets for short-term leases i.e. leases with a term of twelve (12) months or less. The payments associated with such leases are recognized in profit or loss when incurred.

Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

- 4.12.1 The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning from the dates specified below:

- Amendment in IAS 21 'The Effects of Changes in Foreign Exchange Rates', - lack of exchangeability (effective for annual reporting periods beginning on or after January 1, 2025) a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

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- Amendment to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' - Classification and Measurement of Financial Instruments (effective for annual reporting periods beginning on or after January 1, 2026 with early adoption available). These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

- IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. SECP vide its SRO 1715(I)/2023 dated November 21, 2023 has directed that IFRS 17 shall be followed for the period commencing January 1, 2026 by companies engaged in insurance / takaful and re-insurance / re-takaful business.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

- 4.12.2 Other than the aforementioned standards, interpretations and amendments, IASB has also issued the following standards and interpretations, which have not been notified locally or declared exempt by SECP as at June 30, 2024:

IFRS 1 (First Time Adoption of International Financial Reporting Standards)

IFRS 18 (Presentation and Disclosure in Financial Statements)

IFRS 19 (Subsidiaries without Public Accountability: Disclosures)

IFRIC 12 (Service Concession Arrangements)

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5. SHARE CAPITAL

Authorised share capital

This represents 1,500,000,000 (December 31, 2023: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (December 31, 2023: Rs 15,000,000 thousand).

Issued, subscribed and paid up share capital

	June 30, 2024 (Numbers)	December 31, 2023	June 30, 2024 (Rupees '000)	December 31, 2023
Fully paid in cash	256,495,902	256,495,902	2,564,959	2,564,959
Fully paid bonus shares	1,015,742,345	1,015,742,345	10,157,423	10,157,423
	<u>1,272,238,247</u>	<u>1,272,238,247</u>	<u>12,722,382</u>	<u>12,722,382</u>

5.1 Fauji Foundation (FF) holds 44.35% (December 31, 2023: 44.35%) ordinary shares of the Company at the period / year end.

5.2 All ordinary shares rank equally with regard to the Company's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the Company.

5.3 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 period / year and the Company is not subject to externally imposed capital requirements. The Company is required to comply with certain debt covenants related to long / short term borrowings.

	Note	June 30, 2024 (Rupees '000)	December 31, 2023
6. CAPITAL RESERVES			
Share premium	6.1	40,000	40,000
Capital redemption reserve	6.2	120,000	120,000
		<u>160,000</u>	<u>160,000</u>

6.1 Share premium

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

6.2 Capital redemption reserve

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

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	June 30, 2024	December 31, 2023
Note	(Rupees '000)	
7. LONG TERM BORROWINGS - SECURED		
Borrowings from banking companies	7.1	
From conventional banks		
The Bank of Punjab (BOP-1)	110,000	220,000
The Bank of Punjab (BOP-2)	525,000	700,000
Allied Bank Limited (ABL-1)	187,500	375,000
Allied Bank Limited (ABL-2)	750,000	1,000,000
Allied Bank Limited (ABL-3)	1,250,000	1,500,000
Allied Bank Limited (ABL-4)	750,000	900,000
Allied Bank Limited (ABL-5)	2,625,000	3,000,000
Allied Bank Limited (ABL-6)	3,000,000	3,000,000
Industrial and Commercial Bank of China (ICBC-2)	300,000	600,000
	9,497,500	11,295,000
From Islamic banks		
Meezan Bank Limited (MBL-1)	1,250,000	1,500,000
Meezan Bank Limited (MBL-2)	1,875,000	2,250,000
Meezan Bank Limited (MBL-3)	1,875,000	2,250,000
Meezan Bank Limited (MBL-4)	1,750,000	2,000,000
Meezan Bank Limited (MBL-5)	5,000,000	5,000,000
	11,750,000	13,000,000
	21,247,500	24,295,000
Less: Current portion shown under current liabilities		
From conventional banks	3,372,500	3,595,000
From Islamic banks	3,125,000	2,500,000
	6,497,500	6,095,000
	14,750,000	18,200,000

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7.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up / profit rate p.a. (%)	No of installments outstanding	Date of final repayment
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From conventional banks

BOP-1	6 months KIBOR+0.10	1 half yearly	December 18, 2024
BOP-2	6 months KIBOR+0.10	3 half yearly	August 31, 2025
ABL-1	6 months KIBOR+0.15	1 half yearly	December 24, 2024
ABL-2	6 months KIBOR+0.08	3 half yearly	December 30, 2025
ABL-3	6 months KIBOR+0.08	5 half yearly	September 20, 2026
ABL-4	6 months KIBOR+0.08	5 half yearly	September 30, 2026
ABL-5	6 months KIBOR+0.05	7 half yearly	December 27, 2027
ABL-6	6 months KIBOR+0.03	8 half yearly	December 19, 2028
ICBC-2	6 months KIBOR+0.05	1 half yearly	December 28, 2024

From Islamic banks

MBL-1	6 months KIBOR+0.10	5 half yearly	September 29, 2026
MBL-2	6 months KIBOR+0.10	5 half yearly	July 5, 2026
MBL-3	6 months KIBOR+0.10	5 half yearly	September 29, 2026
MBL-4	6 months KIBOR+0.00	7 half yearly	September 30, 2027
MBL-5	6 months KIBOR+0.01	8 half yearly	November 16, 2028

7.1.1 These borrowings are secured by way of hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin.

8. DEFERRED LIABILITIES

		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
Deferred taxation - net	8.1	4,815,808	2,275,925
Provision for compensated leave absences / retirement benefits	8.2	1,949,559	1,735,749
		<u>6,765,367</u>	<u>4,011,674</u>

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		June 30, 2024	December 31, 2023
		(Rupees '000)	
8.1 Deferred taxation - net			
The balance of deferred tax is in respect of the following temporary differences:			
Accelerated depreciation / amortisation		5,858,500	5,244,000
Provision for slow moving spares, loss allowance, and investments		(1,074,000)	(2,990,178)
Remeasurement gain on GIDC		2,910	80,000
Re-measurement of investments		28,398	(57,897)
		4,815,808	2,275,925
The gross movement in the deferred tax liability during the period / year is as follows:			
Balance at the beginning		2,275,925	1,740,435
Tax charge recognized in profit or loss		2,453,260	528,822
Tax charge recognised in other comprehensive income		86,623	6,668
Balance at the end		4,815,808	2,275,925
8.2 The main assumptions used for actuarial valuation are as follows:			
Discount rate - per annum		14.75%	16.00%
Expected rate of increase in salaries			
Management		14.75%	16.00%
Non-Management		14.75%	16.00%
Mortality table		SLIC (2001-05)	SLIC (2001-05)
Withdrawal factor		Moderate	Moderate
Number of employees		2,677	2,734
		June 30, 2024	December 31, 2023
		(Rupees '000)	
9. TRADE AND OTHER PAYABLES	Note		
Creditors			
- GIDC payable	9.1	62,635,970	62,437,223
- Others	9.2	4,306,809	7,988,789
		66,942,779	70,426,012
Accrued liabilities		14,008,529	16,403,515
Consignment account with			
Fauji Fertilizer Bin Qasim Limited (related party) - unsecured		10,883,274	4,874,328
Deposits	9.3	304,707	319,894
Retention money		262,487	303,052
Workers' Welfare Fund		2,842,274	2,136,652
Workers' Profit Participation Fund		2,565,538	17,138
Federal excise duty payable		122,567	645,919
Payable to gratuity fund (related party)	9.4	418,666	997,592
Contract liabilities - advances from customers	9.6	12,791,518	9,828,891
Payable to Fauji Foundation (related party) - current account		188,966	-
Provision for final tax levies		2,178,206	1,389,615
Other liabilities		865,379	913,553
		114,374,890	108,256,161

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		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
9.1 Gas Infrastructure Development Cess (GIDC) payable			
Balance at the beginning		62,437,223	61,276,887
Unwinding of GIDC liability - charge to profit or loss		198,747	1,160,336
	9.1.1	<u>62,635,970</u>	<u>62,437,223</u>

- 9.1.1 Supreme Court of Pakistan (SCP) through its judgement dated August 13, 2020 declared GIDC Act, 2015 a valid legislation. Under the judgement, all gas consumers including the Company were ordered to pay the outstanding GIDC liability as at July 31, 2020 to the Government in 24 equal monthly installments.

GIDC was declared payable on the presumption that burden of same has been passed to the customers. In this regard, the Company, along with other industries, filed a review petition before the SCP on the grounds that a factual determination may be carried out to determine how much of the GIDC burden has actually been passed on, amongst other grounds. Later on SCP while deciding the review petition on November 2, 2020, disposed off the review petition against the gas consumers including the Company and stated that the Government of Pakistan (GoP) is agreeable to recover the arrears in 48 monthly installments instead of 24 monthly installments.

The Company also filed a Suit with the Sindh High Court in September 2020 against collection of GIDC installments, before a factual determination of GIDC pass on is carried out, and the Sindh High Court granted a stay in September 2020 against recovery of GIDC payable from the Company till the finalisation of matter by Sindh High Court. The matter is currently pending in the Sindh High Court.

Pursuant to the above decisions of the SCP and without prejudice to the suit filed in Sindh High Court, the Company, on prudent basis had re-measured its GIDC liability payable to Mari Petroleum Company Limited (MPCL) (on behalf of the Government of Pakistan) in 48 monthly installments commencing from August 2020 in prior period. This modification in timing of settlement of GIDC liability reflected substantially different terms from the original liability recognized upto July 2020. The current and non-current portion of the GIDC liability had been segregated in the statement of financial position in accordance with the 48 months recovery of installments, in the prior years.

On September 9, 2021, Ministry of Energy (MoE), GoP had written a letter to gas suppliers including Mari Petroleum Company Limited (MPCL), the supplier of gas to the Company, stating that they have sought clarification in respect of 48 monthly installments. Therefore, pending stated clarification, the instructions earlier conveyed as in letter dated August 19, 2020 (i.e. 24 month installments) shall remain in the field. On May 30, 2023, MoE, GoP had again written a letter to gas companies including MPCL, advising them to recover GIDC arrears in 48 monthly installments instead of 24 monthly installments. As the Company had already been accounting for GIDC liability based on 48 monthly installments, hence, no adjustments in this respect was required in these financial statements.

During the period, no payments were made by the Company on account of GIDC on account of stay granted by Sindh High Court. Further, the Company has also contested and not accounted for late payment surcharge in these financial statements, on GIDC payments against recovery stay granted by Sindh High Court.

- 9.2 This includes sales tax on GIDC payable to Mari Petroleum Company Limited amounting to Rs 2,474,978 thousand (December 31, 2023: Rs 2,474,978 thousand).
- 9.3 These represent unutilizable amounts received as security deposits from dealers and suppliers of the Company, and are kept in separate bank accounts.

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	Funded gratuity	Funded pension	June 30, 2024 Total	December 31, 2023 Total
	(Rupees '000)			
9.4 Retirement Benefit Funds				
9.4.1 The amounts recognized in the statement of financial position are as follows:				
Present value of defined benefit obligation	4,104,880	2,720,325	6,825,205	6,489,927
Fair value of plan assets	(3,686,214)	(3,462,887)	(7,149,101)	(5,858,017)
Liability/ (asset)	418,666	(742,562)	(323,896)	631,910
9.4.2 Amounts recognised in the profit or loss are as follows:				
Current service cost	112,889	48,886	161,775	264,222
Past service cost	-	-	-	465,958
Net interest cost	79,668	(27,162)	52,506	(7,780)
	192,557	21,724	214,281	722,400
9.4.3 The movements in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation at beginning	4,111,367	2,378,560	6,489,927	7,349,114
Current service cost	112,889	48,886	161,775	264,222
Past service cost	-	-	-	465,958
Interest cost	324,680	183,616	508,296	1,023,490
Benefits paid	(156,234)	(169,622)	(325,856)	(2,965,655)
Benefits payable	(22,137)	-	(22,137)	-
Re-measurement of defined benefit obligation	(265,685)	278,885	13,200	352,798
Present value of defined benefit obligation at end	4,104,880	2,720,325	6,825,205	6,489,927
9.4.4 The movement in fair value of plan assets:				
Fair value of plan assets at beginning	3,113,775	2,744,242	5,858,017	7,448,490
Expected return on plan assets	245,012	210,778	455,790	1,031,270
Contributions	385,115	43,448	428,563	266,333
Benefits paid	(156,234)	(169,622)	(325,856)	(2,965,655)
Benefits payable	(22,137)	-	(22,137)	-
Re-measurement of plan assets	120,683	634,041	754,724	77,579
Fair value of plan assets at end	3,686,214	3,462,887	7,149,101	5,858,017
9.4.5 Actual return on plan assets and others	365,695	844,819	1,210,514	1,108,849
9.4.6 Contributions expected to be paid to the plan for the next annual reporting period	192,557	21,724	214,281	428,563
9.4.7 Plan assets comprise of:				
Quoted:				
Investment in debt securities	2,483,727	2,042,941	4,526,668	3,424,616
Investment in equity securities	1,004,122	1,094,944	2,099,066	1,659,586
Mutual funds	207,281	263,109	470,390	205,650
Un-quoted:				
Deposits with banks	24,032	68,034	92,066	568,165
Others	(32,948)	(6,141)	(39,089)	-
	3,686,214	3,462,887	7,149,101	5,858,017

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

	June 30, 2024		December 31, 2023	
	Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
	(Rupees '000)		(Rupees '000)	
9.4.9 Movement in liability/ (asset) recognised in statement of financial position:				
Opening liability / (asset)	997,592	(365,682)	659,625	(759,001)
Cost for the period / year recognised in profit or loss	192,557	21,724	266,333	456,067
Employer's contribution during the period / year	(385,115)	(43,448)	(266,333)	-
Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the period / year	(386,368)	(355,156)	337,967	(62,748)
Closing liability / (asset)	418,666	(742,562)	997,592	(365,682)

9.4.10 Re-measurements recognised in OCI during the period / year:

Re-measurement loss / (gain) on obligation				
Due to change in financial assumptions	366,967	216,245	145,829	(265,890)
Due to change in experience adjustments	(632,652)	62,640	491,802	(18,943)
	(265,685)	278,885	637,631	(284,833)
Re-measurement loss / (gain) on plan assets				
Actual return on plan assets	(375,720)	(463,746)	(735,349)	(424,419)
Interest income on plan assets	245,012	210,778	357,122	674,148
Others	10,025	(381,073)	78,563	(27,644)
	(120,683)	(634,041)	(299,664)	222,085
Re-measurement loss / (gain) recognised in OCI	(386,368)	(355,156)	337,967	(62,748)

	June 30, 2024		December 31, 2023	
	Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
	(Percentage)			
9.4.11 Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	14.75	14.75	16.00	16.00
Expected rate of salary growth - short term				
Management	14.75	14.75	16.00	16.00
Non-Management	14.75	-	16.00	-
Expected rate of salary growth - long term				
Management	14.75	14.75	16.00	16.00
Non-Management	14.75	-	16.00	-
Expected rate of return on plan assets	14.75	14.75	16.00	16.00
Expected rate of increase in post retirement pension				
Short term		6.00		6.00
Long term		6.00		6.00
Maximum pension limit increase rate		6.00		6.00
Minimum pension limit increase rate		6.00		6.00

Demographic assumptions

Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover				
Management	Moderate	Moderate	Moderate	Moderate
Non-Management	Light	-	Light	-

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9.4.12 Sensitivity analysis

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

	June 30, 2024		December 31, 2023	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees '000)		(Rupees '000)	
Discount rate	(426,165)	482,434	(410,373)	465,371
Future salary growth	314,926	(284,733)	324,239	(290,301)
Future pension	222,637	(198,025)	183,748	(164,566)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

9.4.13 The weighted average number of years of defined benefit obligation is given below:

	June 30, 2024		December 31, 2023	
	Funded Gratuity Years	Funded Pension Years	Funded Gratuity Years	Funded Pension Years
Plan duration	6.69	6.15	7.13	5.68

9.4.14 Analysis of present value of defined benefit obligations:

	(Rupees '000)		(Rupees '000)	
Vested / non - vested				
Vested	3,767,759	-	4,071,543	-
Non - vested	337,121	-	39,824	-
	4,104,880		4,111,367	
Types of members				
Active	-	2,548,478	-	2,224,808
Retirees	-	171,847	-	153,752
	-	2,720,325	-	2,378,560
Types of benefits earned to date				
Accumulated benefit obligation	1,771,961	2,022,241	1,654,885	2,066,969
Amount attributed to future salary increases	2,332,919	698,084	2,456,482	311,591
Total	4,104,880	2,720,325	4,111,367	2,378,560

9.4.15 The Company contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Company takes a contribution holiday.

	June 30, 2024		December 31, 2023	
	Funded Gratuity (Rupees '000)	Funded Pension (Rupees '000)	Funded Gratuity (Rupees '000)	Funded Pension (Rupees '000)
9.4.16 Distribution of timing of benefit payments:				
1 year	383,787	306,841	335,580	276,048
2 years	558,946	318,551	612,067	424,354
3 years	706,641	515,895	574,321	372,960
4 years	487,215	335,291	569,926	354,493
5 years	793,317	470,173	670,657	416,522
6-10 years	3,798,828	2,357,344	4,200,074	2,267,490

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9.4.17 Retirement benefit plans are exposed to the following risks:

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities.

The Company ensures that the assets in the fund are managed within an asset-liability matching framework. Within this framework, the Company's objective is to match assets to the defined benefit obligations by investing in liquid assets including units of mutual funds and bank deposits that match the benefit payments as they fall due. The Company actively monitors that the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit obligations.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal / mortality risk

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

9.4.18 "Salaries, wages and benefits" expense, stated in notes 27 and 28 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 178,827 thousand, Rs 109,585 thousand, Rs 19,234 thousand and Rs 206,695 thousand, respectively (December 31, 2023: Rs 253,028 thousand, Rs 217,346 thousand, Rs 789,482 thousand and Rs 471,699 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited and FFC Energy Limited under Inter Company Services Agreements.

9.5 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for the purpose.

		June 30, 2024	December 31, 2023
		(Rupees '000)	
9.6 Contract liabilities - advances from customers	Note		
Balance at beginning		9,828,891	12,719,702
Revenue recognised during the period / year		(121,631,400)	(145,185,051)
Advance received during the period / year		124,594,027	142,294,240
Balance at end	9.6.1	12,791,518	9,828,891

9.6.1 This represents payment received by the Company from its customers before the related goods are transferred. Advances from customer are recognised as revenue when the performance obligation in accordance with the policy as described in note 3.12 to these financial statements is satisfied. Revenue for an amount Rs 8,163,211 thousand (December 31, 2023: Rs 12,661,953 thousand) has been recognised in current period / prior year in respect of advances from customers at the beginning of period / year.

		June 30, 2024	December 31, 2023
		(Rupees '000)	
10. MARK-UP AND PROFIT ACCRUED			
On long term borrowings			
From conventional banks		181,626	243,495
From Islamic banks		604,816	732,342
		786,442	975,837
On short term borrowings			
From conventional banks		100,540	194,514
From Islamic bank		48,264	133,912
		148,804	328,426
		935,246	1,304,263

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11. SHORT TERM BORROWINGS - SECURED

The Company has obtained short-term running finance facilities from various banks, under separate terms and agreements. The total amounts outstanding against each facility at the period / year end and the terms of each facility are given below:

Lending Institutions	Note	June 30, 2024	December 31, 2023
		(Rupees '000)	
From conventional banks	11.1		
National Bank of Pakistan		-	37,259
Bank Al-Habib Limited		-	21,445
United Bank Limited		-	74,368
Askari Bank Limited (related party)		4,028,374	8,092,980
Bank Alfalah Limited		15,177	481,565
Habib Bank Limited		-	87,357
The Bank of Punjab		-	33,115
Habib Metropolitan Bank Limited		88,241	-
		4,131,792	8,828,089
From Islamic bank			
Meezan Bank Limited	11.2	3,159,093	4,909,657
		7,290,885	13,737,746

- 11.1** Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs. 20,487,000 thousand (December 31, 2023: Rs. 21,018,000 thousand) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto December 27, 2024 (December 31, 2023: December 27, 2024). The per annum rates of mark-up are 1 Month KIBOR + 0.05% to 0.25% and 3 month KIBOR + 0% to 0.10% (December 31, 2023: 1 month KIBOR + 0% to 0.25% and 3 month KIBOR + 0.10% to 0.35%).

These facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over mutual funds and PIBs in certain cases.

- 11.2** Shariah compliant short term borrowing is available from a banking company under profit arrangements against a facility amounting to Rs. 7,000,000 thousand (December 31, 2023: Rs. 7,000,000 thousand). The facility has maturity date of May 31, 2025 (December 31, 2023: May 31, 2024). The per annum rate of profit is 3 month KIBOR minus 0.05% to plus 0.05% (December 31, 2023: 1 month KIBOR minus 0.10%).

The facility is secured by ranking hypothecation charge on current assets of the Company besides lien over PIBs in certain cases.

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12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies:

	June 30, 2024	December 31, 2023
	(Rupees '000)	
i) Guarantees issued by banks on behalf of the Company	10,571,240	10,828,877
ii) Claims against the Company and / or potential exposure not acknowledged as debt	50,696	50,696
iii) The Company has issued corporate bank guarantee and letters of comfort in favour of its subsidiary i.e. Fauji Fresh n Freeze Limited amounting to Rs 4,336,000 thousand (December 31, 2023: Rs 4,101,304 thousand).		
iv) Penalty of Rs 5,500,000 thousand (December 31, 2023: Rs 5,500,000 thousand) imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, which was set aside by the Competition Appellate Tribunal, in appeal filed by the Company, who also remanded the case back to CCP to decide the case afresh under guidelines provided by the Tribunal. CCP did not challenge this order before the Supreme Court of Pakistan in appeal within the stipulated time, thus making the appeal time barred. However, in prior years, CCP under the said Tribunal guidelines resumed the proceedings and the Company duly joined these proceedings through counsel. The Company filed writ petition before Islamabad High Court which was disposed of, directing CCP to proceed with regular hearings. CCP is yet to initiate its proceedings and the Company is awaiting hearing notice. The Company remains confident of successfully defending these unreasonable claims.		

12.2 Commitments in respect of:

	June 30, 2024	December 31, 2023
	(Rupees '000)	
i) Capital expenditure commitments (including share of commitments amounting to Rs 1,265,168 thousand (December 31, 2023: Rs 1,330,224 thousand) relating to PEF joint operations as disclosed in note 41.	10,521,754	10,954,052
ii) Purchase of fertilizer, stores, spares and other operational items	4,959,915	4,387,767
iii) Investment in Thar Energy Limited	89,216	90,423
iv) Contracted out services	459,413	723,753
v) Revolving credit facilities to:		
- Foundation Wind Energy - I Limited	1,500,000	1,500,000
- FFC Energy Limited	1,700,000	1,700,000
- Fauji Fresh N Freeze Limited	1,262,000	-



13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Lease hold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Right of use asset	Capital work in progress (note 13.4)	Total
(Rupees '000)															
As at January 1, 2023															
Cost	396,147	209,959	5,424,446	2,008,937	26,517	47,714,884	3,023,383	1,638,202	689,211	982,571	3,107,583	28,516	150,156	2,297,168	67,697,680
Accumulated depreciation	-	(180,225)	(3,512,595)	(1,001,888)	(26,517)	(27,628,540)	(2,531,896)	(1,179,528)	(399,024)	(728,388)	(2,716,901)	(28,135)	(132,992)	-	(40,066,629)
Net Book Value	396,147	29,734	1,911,851	1,007,049	-	20,086,344	491,487	458,674	290,187	254,183	390,682	381	17,164	2,297,168	27,631,051
Year ended December 31, 2023															
Opening net book value	396,147	29,734	1,911,851	1,007,049	-	20,086,344	491,487	458,674	290,187	254,183	390,682	381	17,164	2,297,168	27,631,051
Additions	509,656	-	664,568	-	-	3,917,732	-	256,512	138,369	97,766	407,222	-	-	9,631,738	15,623,563
Disposals															
Cost	-	-	-	-	-	(9,993)	(131,019)	(51,994)	(14,845)	(49,660)	(29,937)	-	-	-	(287,448)
Depreciation	-	-	-	-	-	9,993	131,019	51,989	14,818	46,879	29,937	-	-	-	284,635
	-	-	-	-	-	-	-	(5)	(27)	(2,781)	-	-	-	-	(2,813)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	(506,158)	(506,158)
Depreciation charge	-	(1,951)	(216,577)	(98,355)	-	(1,580,105)	(137,523)	(126,161)	(50,131)	(95,652)	(204,623)	(233)	(11,161)	-	(2,522,472)
Balance as at December 31, 2023	905,803	27,783	2,359,842	908,694	-	22,423,971	353,964	589,020	378,398	253,516	593,281	148	6,003	11,422,748	40,223,171
As at January 1, 2024															
Cost	905,803	209,959	6,089,014	2,008,937	26,517	51,622,623	2,892,364	1,842,720	812,735	1,030,677	3,484,868	28,516	150,156	11,422,748	82,527,637
Accumulated depreciation	-	(182,176)	(3,729,172)	(1,100,243)	(26,517)	(29,198,652)	(2,538,400)	(1,253,700)	(434,337)	(777,161)	(2,891,587)	(28,368)	(144,153)	-	(42,304,466)
Net Book Value	905,803	27,783	2,359,842	908,694	-	22,423,971	353,964	589,020	378,398	253,516	593,281	148	6,003	11,422,748	40,223,171
Six month period ended June 30, 2024															
Opening net book value	905,803	27,783	2,359,842	908,694	-	22,423,971	353,964	589,020	378,398	253,516	593,281	148	6,003	11,422,748	40,223,171
Additions	-	-	84,602	-	-	3,477,721	677,133	99,122	12,848	142,974	437,802	-	-	2,169,502	7,101,704
Disposals															
Cost	-	-	-	-	-	-	-	(12,142)	(6,121)	(17,180)	(2,224)	-	-	-	(37,667)
Depreciation	-	-	-	-	-	-	-	12,142	6,115	17,180	2,224	-	-	-	37,661
	-	-	-	-	-	-	-	-	(6)	-	-	-	-	-	(6)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,786,210)	(2,786,210)
Depreciation charge	-	(970)	(117,960)	(48,909)	-	(850,982)	(77,334)	(73,221)	(27,878)	(59,258)	(144,814)	(92)	(3,306)	-	(1,404,724)
Balance as at June 30, 2024	905,803	26,813	2,326,484	859,785	-	25,050,710	953,763	614,921	363,362	337,232	886,269	56	2,697	10,806,040	43,133,935
As at June 30, 2024															
Cost	905,803	209,959	6,173,616	2,008,937	26,517	55,100,344	3,569,497	1,929,700	819,462	1,156,471	3,920,446	28,516	150,156	10,806,040	86,805,464
Accumulated depreciation	-	(183,146)	(3,847,132)	(1,149,152)	(26,517)	(30,049,634)	(2,615,734)	(1,314,779)	(456,100)	(819,239)	(3,034,177)	(28,460)	(147,459)	-	(43,671,529)
Net Book Value	905,803	26,813	2,326,484	859,785	-	25,050,710	953,763	614,921	363,362	337,232	886,269	56	2,697	10,806,040	43,133,935
Rate of depreciation in %		6.25 to 9.25	5 to 10	5	5	5	20	15	10	20	15 to 33.33	30	20	-	

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		Six month period ended June 30, 2024	Year ended December 31, 2023
	Note	(Rupees '000)	
13.1 Depreciation charge has been allocated as follows:			
Cost of sales	27	1,341,391	2,426,562
Distribution cost	28	54,700	80,597
Other expenses		985	1,286
Charged to FFBL under Inter Company Services Agreement		7,648	14,027
		1,404,724	2,522,472

13.2 No fixed assets having net book value in excess of Rs 5,000 thousand were disposed off during the period / year.

13.3 Details of immovable property (land and building) in the name of the Company:

Location	Usage	Area
Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab	Head office building	16 kanals and 7.5 marlas
Plot no 1 - H, Gulberg - II, Lahore	Marketing office land	3 kanals, 14 marlas and 160.63 sqft
Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab	Manufacturing plant including allied facilities	1,285 acres, 5 kanals and 7 marlas
Mirpur Mathelo (District: Ghotki), Sindh	Manufacturing plant including allied facilities	575 acres, 4 kanals and 16 marlas
FFC Warehouse, G T Road Adda Yousafwala, (District: Sahiwal), Punjab	Warehouse	3 acres, 2 kanals and 11 marlas
FFC Warehouse Opposite Chiniot Railway Station Bypass Road Chiniot (District Chiniot), Punjab	Warehouse	5 acres, 2 kanals and 3 marlas
FFC Warehouse Main Highway Road Dhabeji (District: Thatta), Sindh	Warehouse	16 marlas and 136 sqft
18 Khaira Gali (District: Abbottabad), Khyber Pakhtunkhwa	Guesthouse	1 kanal and 3 marlas

	June 30, 2024	December 31, 2023
	(Rupees '000)	
13.4 Capital Work in Progress		
Civil works	3,731,617	3,684,023
Plant and machinery (including-in-transit items)	7,074,423	7,738,725
	10,806,040	11,422,748

13.5 Capital work in progress include Rs 1,760,168 thousand (December 31, 2023: Rs 1,618,248 thousand) being Company's share in Joint operation related to Gas Pressure Enhancement Facility (PEF), as disclosed in note 41 to these financial statements.

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		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
14. INTANGIBLE ASSETS			
Computer software	14.1	1,925	2,674
Goodwill	14.2	1,569,234	1,569,234
		<u>1,571,159</u>	<u>1,571,908</u>
14.1 Computer software			
Balance at the beginning		2,674	3,909
Additions during the period / year		487	2,756
Amortisation charge for the period / year		(1,236)	(3,991)
Balance at the end		<u>1,925</u>	<u>2,674</u>
Amortisation rate		<u>33 1/3%</u>	<u>33 1/3%</u>
Amortisation charge has been allocated as follows:			
Cost of sales	27	888	2,997
Distribution cost	28	348	994
		<u>1,236</u>	<u>3,991</u>

14.2 Goodwill

This represents excess of the amount paid over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 17.46%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
15. LONG TERM INVESTMENTS			
Investments held at cost			
In associated companies (Quoted)			
Fauji Cement Company Limited (FCCL)	15.1	1,500,000	1,500,000
Fauji Fertilizer Bin Qasim Limited (FFBL)	15.2	7,152,693	7,152,693
Askari Bank Limited (AKBL)	15.3	10,461,921	10,461,921
		<u>19,114,614</u>	<u>19,114,614</u>
In associated company (Unquoted)			
Thar Energy Limited (TEL)	15.4	5,986,908	5,986,908
In joint venture (Unquoted)			
Pakistan Maroc Phosphore S.A., Morocco (PMP)	15.5	705,925	705,925

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		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
In subsidiary companies (Unquoted)			
FFC Energy Limited (FFCEL)	15.6	2,438,250	2,438,250
Foundation Wind Energy- I Limited (FWEL-I)	15.7	7,493,051	7,493,051
Foundation Wind Energy- II Limited (FWEL-II)	15.8	6,019,288	6,019,288
OLIVE Technical Services (Private) Limited (OLIVE)			
Investment at cost	15.9	20,000	20,000
Advance against issue of shares		80,000	-
		100,000	20,000
Fauji Fresh n Freeze Limited (FFF)			
Investment at cost	15.10	11,335,500	6,335,500
Less: Impairment loss		(2,100,000)	(2,100,000)
		9,235,500	4,235,500
		25,286,089	20,206,089
		51,093,536	46,013,536
Investments - at fair value through other comprehensive income (FVTOCI)			
	15.11		
Term Deposit Receipts - from conventional bank		-	32,899
Bank Alfalah Term Finance Certificates		300,000	498,865
Pakistan Investment Bonds		4,482,772	4,266,595
		4,782,772	4,798,359
		55,876,308	50,811,895
Less: Current portion shown under			
- Short term investments - at fair value through other comprehensive income (FVTOCI)			
Term Deposit Receipts - from conventional bank		-	32,899
Bank Alfalah Term Finance Certificates		-	198,865
Pakistan Investment Bonds		1,969,702	1,859,670
	24	1,969,702	2,091,434
		53,906,606	48,720,461

15.1 Investment in FCCL - at cost

Investment in FCCL represents 105,469 thousand (December 31, 2023: 105,469 thousand) fully paid ordinary shares of Rs 10 each representing 4.29% (December 31, 2023: 4.29%) of share capital of FCCL as at June 30, 2024. Market value of the Company's investment as at June 30, 2024 was Rs 2,416,295 thousand (December 31, 2023: Rs 1,995,469 thousand). FCCL is an associate due to representation on the Board of Directors.

15.2 Investment in FFBL - at cost

Investment in FFBL represents 644,019 thousand (December 31, 2023: 644,019 thousand) fully paid ordinary shares of Rs 10 each representing 49.88% (December 31, 2023: 49.88%) of FFBL's share capital as at June 30, 2024. Market value of the Company's investment as at June 30, 2024 was Rs 22,843,354 thousand (December 31, 2023: Rs 20,544,194 thousand).

Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF.

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15.3 Investment in AKBL - at cost

Investment in AKBL represents 625,333 thousand (December 31, 2023: 625,333 thousand) fully paid ordinary shares of Rs 10 each representing 43.15% (December 31, 2023: 43.15%) of AKBL's share capital. Market value of the Company's investment as at June 30, 2024 was Rs 14,088,752 thousand (December 31, 2023: Rs 15,458,237 thousand).

At period / year end, 625,333 thousand (December 31, 2023: 625,333 thousand) shares owned by the Company are held in blocked account with Central Depository Company of Pakistan. No withdrawal/ sale from such blocked account is allowed without the prior approval of the State Bank of Pakistan.

Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF.

15.4 Investment in TEL - at cost

Investment in TEL represents 598,691 thousand (December 31, 2023: 598,691 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 30% shareholding interest in TEL. TEL is a public limited company. TEL is the subsidiary of the HUB Power Company Limited. The principal activities of TEL are owning, operating and maintaining a 1 x 330 MW mine-mouth coal fired power plant established at Thar Block II, Thar Coal Mine, Sindh. At period / year end, 598,691 thousand (December 31, 2023: 598,691 thousand) shares owned by the Company are pledged against security trustee of lenders of TEL.

Under the amended Power Purchase Agreement (PPA), TEL's Required Commercial Operations Date (RCOD) was March 31, 2021. Considering the delay in COD, TEL requested Central Power Purchasing Agency (Guarantee) Limited (CPPA(G)) for extension in RCOD in view of the COVID-19 Force Majeure Event (FME) and delay in expected availability of indigenous coal under the Coal Supply Agreement with Sindh Engro Coal Mining Company Limited (SECMC). CPPA(G) granted an extension in the RCOD of TEL till November 23, 2021, subject to payment of undisputed High Voltage Direct Current (HVDC) charges under certain conditions.

CPPA(G) has raised invoices for payment of HVDC charges amounting to USD 19.6 million; however, TEL has challenged the determination of the invoices and has sought clarifications from CPPA(G), including provision of evidence of achievement of COD of the HVDC line. Till such time the required information is furnished, there is no obligation on TEL to make payment and therefore currently there is no exposure on TEL in this regard.

As mentioned in the PPA, any delay in the achievement of COD beyond RCOD would also result in liquidated damages amounting to USD 0.75 million per month. CPPA(G) has raised invoices for said liquidated damages for the period November 23, 2021 to September 30, 2022 amounting to USD 7.7 million, out of which USD 1.7 million has been adjusted by CPPA(G) through settlement of invoices up to the reporting date. Accordingly, a provision amounting to USD 6 million has been carried in its financial statements. TEL has achieved its COD in October 2022.

15.5 Investment in PMP - at cost

Investment in PMP represents 12.5% (December 31, 2023: 12.5%) equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation (FF), FFBL 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.

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According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

Following particulars relate to investment made in the foreign company:

Particulars	Pakistan Maroc Phosphore S.A., Morocco
Name and jurisdiction of associated company	Pakistan Maroc Phosphore S.A., Morocco
Name and address of beneficial owner	Fauji Fertilizer Company Limited located at 156, The Mall Rawalpindi Cantt, Pakistan Fauji Foundation located at 68 Tipu Road, Chaklala, Rawalpindi, Pakistan Fauji Fertilizer Bin Qasim Limited located at FFBL Tower Plot No C1/C2, Sector B, Jinnah Boulevard Phase II DHA Islamabad, Pakistan Office Cherifien Des Phosphates located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Amount of investment	Rs 705,925 thousand (MAD 100,000 thousand)
Terms and conditions of investment	Equity investment
Amount of return received	Dividend 2009 Rs 42,563 thousand Dividend 2015 Rs 50,911 thousand Dividend 2016 Rs 55,720 thousand Dividend 2017 Rs 262,551 thousand Dividend 2018 Rs 144,061 thousand Dividend 2019 Rs 371,638 thousand Dividend 2020 Rs 335,525 thousand Dividend 2021 Rs 518,962 thousand Dividend 2022 Rs 1,349,419 thousand Dividend 2024 Rs 829,832 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

15.6 Investment in FFCEL - at cost

Investment in FFCEL represents 243,825 thousand (December 31, 2023: 243,825 thousand) fully paid ordinary shares of Rs 10 each. FFCEL has been incorporated for the purpose of implementing a project comprising establishment and operation of wind power generation facility and supply of electricity. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700,000 are held in the name of seven nominee directors of the Company.

15.7 Investment in FWEL - I - at cost

Investment in FWEL - I represents 350,249 thousand (December 31, 2023: 350,249 thousand) fully paid ordinary shares of Rs 10 each. The Company was established with the primary objective to undertake the business of power generation and sale. The Company currently holds 100% shareholding interest in FWEL - I. Shares of FWEL - I have been pledged by the Company in favor of project lenders, till discharge of its debt obligations. Also refer note 15.8.1 to the financial statements.

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15.8 Investment in FWEL - II - at cost

Investment in FWEL - II represents 282,215 thousand (December 31, 2023: 282,215 thousand) fully paid ordinary shares of Rs 10 each. The Company was established with the primary objective to undertake the business of power generation and sale. The Company currently holds 80% shareholding interest in FWEL - II. Shares of FWEL - II have been pledged by the Company in favor of project lenders, till discharge of its debt obligations. Also refer note 15.8.1 to the financial statements.

15.8.1 In accordance with the Share Purchase Agreement, the Company, in the year 2021, has paid base payment amount net of payment amount adjustments of Rs 7,493,051 thousand and Rs 6,019,288 thousand, in full for acquisition of shares of FWEL - I and FWEL - II, respectively, to its previous owners i.e. FF and FFBL. Further, the Company is also liable to pay additional consideration to its previous owners as and when FWEL - I & FWEL - II receive Delayed Payment Surcharge (DPS), under their respective EPAs. The management of the Company based on its assessment performed believes that the amount of contingent consideration due to FF and FFBL would be immaterial in overall context of the financial statements and has not recognised the same in these financial statements.

15.9 Investment in OLIVE Technical Services (Private) Limited (OLIVE)

Investment in OLIVE represents investment in 2,000 thousand (December 31, 2023: 2,000 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in OLIVE. OLIVE is a private limited company incorporated in Pakistan under Companies Act, 2017. The principal line of business of the Company is to provide technical and engineering services.

15.10 Investment in FFF - at cost

Investment in FFF represents 1,123,960 thousand (December 31, 2023: 623,960 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in FFF, out of which 8,000 shares amounting to Rs 80,000 are held in the name of eight nominee directors of the Company.

The Company management has carried out an impairment analysis of this investment, based on future expected cash flows for the future years and technical values. The future cash flows has been discounted at weighted average cost of capital of 18.32% (December 31, 2023: 17.36%) per annum and terminal growth rate of 2.5% (December 31, 2023: 2.5%). Based on this analysis, management believes that carrying value of the investment is recoverable in full.

15.11 Investments at fair value through other comprehensive income (FVTOCI)

Term Deposit Receipts (TDR)

As at December 31, 2023, this represented placement in Term Deposit Receipts with financial institution having tenure from one to five years with returns ranging from 9.34% to 9.70% per annum. TDRs have been matured during the period.

Term Finance Certificates (TFCs)

This represents investments in Bank Alfalah Term Finance Certificate amounting to Rs. 300,000 thousand (December 31, 2023: Rs. 198,865 thousand and Rs. 300,000 thousand) having holding tenure till perpetuity with floating return of 6MK+2% per annum.

Pakistan Investment Bonds (PIBs)

Pakistan Investment Bonds with 3, 5 and 10 years tenure having aggregate face value of Rs 4.79 billion (December 31, 2023: Rs 4.79 billion) are due to mature within a period of 5 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 7.0% to 10.00% per annum and floating rate PIB at weighted average 6-Months T-Bill yield + 0.70%. The Pakistan Investment Bonds are placed with banks as collateral to secure borrowing facilities.



	Note	June 30, 2024	December 31, 2023
		(Rupees '000)	
16. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives			
Interest bearing		1,394,925	1,166,120
Non-interest bearing		1,202,850	1,049,782
		<u>2,597,775</u>	<u>2,215,902</u>
Other employees			
Interest bearing		868,740	728,417
Non-interest bearing		512,594	494,891
		<u>1,381,334</u>	<u>1,223,308</u>
		<u>3,979,109</u>	<u>3,439,210</u>
Less: Amount due within twelve months, shown under current loans and advances	21		
Interest bearing		386,077	335,366
Non-interest bearing		532,425	474,206
		<u>918,502</u>	<u>809,572</u>
		<u>3,060,607</u>	<u>2,629,638</u>

16.1 Reconciliation of carrying amount of loans and advances:

	June 30, 2024		December 31, 2023	
	Executives	Other employees	Total	Total
	(Rupees '000)			
Balance at January 1	2,215,902	1,223,308	3,439,210	2,560,708
Adjustments	83,843	(83,843)	-	-
Disbursements	736,080	459,498	1,195,578	1,745,055
	<u>3,035,825</u>	<u>1,598,963</u>	<u>4,634,788</u>	<u>4,305,763</u>
Repayments	(438,050)	(217,629)	(655,679)	(866,553)
Balance at June 30	<u>2,597,775</u>	<u>1,381,334</u>	<u>3,979,109</u>	<u>3,439,210</u>

These subsidized and interest free loans and advances are granted to employees as per the Company's policy and are repayable within one to ten years. House building loans carry mark-up at 4% per annum and are secured against the underlying assets.

The maximum amount of loans and advances to executives outstanding at the end of any month during the period / year was Rs 2,597,775 thousand (December 31, 2023: Rs 2,324,943 thousand).

Management considers that the impact of recognizing loans and advances at present value of future cash flows would be immaterial, in context of overall financial statements.

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16.2 Loans and advances to employees exceeding Rs 1 million

Category	June 30, 2024		December 31, 2023	
	No. of employees	Amount	No. of employees	Amount
		(Rupees '000)		(Rupees '000)
Rs 1 million to Rs 2 million	179	240,529	209	292,278
Exceeding Rs 2 million upto Rs 3 million	134	332,637	116	289,631
Exceeding Rs 3 million upto Rs 5 million	262	992,728	226	875,842
Exceeding Rs 5 million upto Rs 10 million	139	1,002,879	56	321,988
Exceeding Rs 10 million upto Rs 25 million	86	1,250,512	142	1,557,274
	800	3,819,285	749	3,337,013

Note	June 30, 2024	December 31, 2023
	(Rupees '000)	
17. LONG TERM DEPOSITS AND PREPAYMENTS		
Non-interest bearing deposits	12,378	12,378
Prepayments	2,984	-
	15,362	12,378
18. STORES, SPARES AND LOOSE TOOLS		
Stores	910,318	999,563
Spares	6,950,756	6,170,464
Provision for slow moving spares	(648,599)	(634,216)
	6,302,157	5,536,248
Loose tools	22,052	24,428
Items in transit	1,420,246	1,224,115
	8,654,773	7,784,354
18.1 Movement of provision for slow moving spares		
Balance at the beginning	634,216	599,931
Provision during the period / year	14,383	36,451
Reversal during the period / year	-	(2,166)
Balance at the end	648,599	634,216
19. STOCK IN TRADE		
Raw materials	497,328	603,713
Work in process	284,324	174,232
Finished goods		
Manufactured urea	857,109	744,590
Purchased fertilizer	2,142,691	545,387
	2,999,800	1,289,977
	3,781,452	2,067,922

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20. TRADE DEBTS		June 30, 2024	December 31, 2023
		(Rupees '000)	
Considered good - secured	20.1	212,750	48,503
Considered doubtful		1,758	1,758
		214,508	50,261
Loss allowance		(1,758)	(1,758)
		212,750	48,503

20.1 These debts are secured by way of bank guarantees.

21. LOANS AND ADVANCES - SECURED

Current portion of long term loans and advances	16	918,502	809,572
Loans and advances to employees - unsecured			
- considered good, non-interest bearing			
Executives		90,583	223,949
Others		97,453	100,870
Advance to subsidiary company - interest bearing			
Fauji Fresh N Freeze Limited (FFF)	21.1	538,000	1,800,000
Advances to suppliers - considered good		316,826	266,655
Advances for PEF project	21.3	420,038	214,333
		2,381,402	3,415,379

21.1 This represents revolving credit facility provided to Fauji Fresh N Freeze Limited, a related party, to support its cashflow requirements under markup arrangement at the Company's weighted average cost of debt plus 0.10% per annum. The Company has also provided unsecured advance facilities to FFC Energy Limited (FFCEL) and Foundation Wind Energy I Limited (FWEL - I), subsidiary companies, under revolving credit facilities upto an amount of Rs 1,700,000 thousand and Rs 1,500,000 thousand, respectively, to meet debt servicing obligations and other working capital / cashflow requirements, at markup rate of the borrowing cost of the Company. The whole of the amounts were unavailed as at period / year end.

21.2 Loans and advances to employees exceeding Rs 1 million

Category	June 30, 2024		December 31, 2023	
	No of employees	Amount	No of employees	Amount
		(Rupees '000)		(Rupees '000)
Rs 1 million to Rs 2 million	26	35,621	41	56,039
Exceeding Rs 2 million upto Rs 3 million	4	10,002	10	24,203
Exceeding Rs 3 million upto Rs 5 million	9	31,728	5	18,544
Exceeding Rs 10 million upto Rs 25 million	-	-	1	5,221
	39	77,351	57	104,007

21.3 This represents advance paid to Mari Petroleum Company Limited, a related party, in relation to PEF project, as disclosed in note 41 to the financial statements.

22. DEPOSITS AND PREPAYMENTS	June 30, 2024	December 31, 2023
	(Rupees '000)	
Non-interest bearing deposits	1,807	242,607
Prepayments	71,888	468,399
	73,695	711,006

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		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
23. OTHER RECEIVABLES			
Accrued income on investments and bank deposits:			
- Pakistan Investment Bonds		168,532	169,692
- Conventional banks		20,812	54,354
- Islamic banks		-	183
Accrued income on receivable from subsidiary		364,835	453,669
Sales tax receivable - net	23.1	13,141,859	16,866,320
Advance tax	23.2	322,368	322,368
Subsidy receivable from Government agencies	23.3	6,961,878	6,961,878
Receivable from subsidiary companies	23.4		
- FFC Energy Limited - unsecured		113,887	40,796
- Fauji Fresh n Freeze Limited - unsecured		9,598	8,434
- OLIVE Technical Services (Private) Limited - unsecured		113,161	93,129
- Foundation Wind Energy Limited - unsecured		2,806	6,046
Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured		356,509	378,035
Receivable from Joint Operators - PEF project		196	196
Dividend receivable from PMP (related party)		829,832	-
Receivable from pension fund (related party)	9.4	742,562	365,682
Other receivables		454,406	499,342
Loss allowance	23.5	(6,674,404)	(5,719,404)
		<u>16,928,837</u>	<u>20,500,720</u>

23.1 Sales tax receivable is net-off provision for input tax disallowance amounting to Rs 8,473,620 thousand (December 31, 2023: Rs 4,332,620 thousand).

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

23.3 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy receivable on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act, 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

23.4 The maximum amount of receivable from FFCEL, FFF, OLIVE, FFBL and FWEL during the period / year was Rs 113,887 thousand (December 31, 2023: Rs 102,944 thousand), Rs 374,433 thousand (December 31, 2023: Rs 462,103 thousand), Rs 113,161 thousand (December 31, 2023: Rs 93,129 thousand), Rs 375,701 thousand (December 31, 2023: Rs 376,554 thousand) and Rs 12,094 thousand (December 31, 2023: Rs 29,149 thousand), respectively.

		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
23.5 Movement of loss allowance			
Balance at the beginning		5,719,404	2,819,404
Charge for the period / year		955,000	2,900,000
Balance at the end	23.5.1	<u>6,674,404</u>	<u>5,719,404</u>

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23.5.1 The Company considers that the allowance for expected credit loss is adequate to cover any default in recoverability of balances in future.

	Note	June 30, 2024 (Rupees '000)	December 31, 2023
24. SHORT TERM INVESTMENTS			
Amortised cost - conventional investments	24.1		
Term deposits with banks and financial institutions			
Foreign currency		5,087,160	4,956,685
Investments at fair value through profit or loss	24.2		
Conventional investments		59,279,077	59,203,333
Shariah compliant investments		41,609,906	28,485,449
		100,888,983	87,688,782
Current maturity of long term investments			
Fair value through OCI	15	1,969,702	2,091,434
		107,945,845	94,736,901

24.1 These represent investments having maturities ranging between 3 to 6 months and are being carried at amortized cost.

24.2 Fair values of these investments are determined using quoted repurchase price.

24.2.1 The details of investment in mutual funds are as follows:

	June 30, 2024		December 31, 2023	
	Number of units in '000'	Fair value (Rupees '000)	Number of units in '000'	Fair value (Rupees '000)
Money Market Funds	1,977,469	55,156,469	1,967,352	58,912,156
Income Fund	228,732	4,426,911	28,993	291,176
Shariah Compliant Money Market Funds	1,197,981	41,305,603	881,640	28,485,450
	3,404,182	100,888,983	2,877,985	87,688,782

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		June 30, 2024	December 31, 2023
	Note	(Rupees '000)	
25. CASH AND BANK BALANCES			
At banks			
Local Currency			
Current account - Conventional banking		685,534	65,578
Current account - Islamic banking		5,083	16,661
Deposit account - Conventional banking	25.1	540,375	423,812
Deposit account - Islamic banking	25.2	72	20,097
		<u>1,231,064</u>	<u>526,148</u>
Foreign Currency			
Deposit account (2024: US\$ 51; December 31, 2023: US\$ 70)		14	20
	25.3	<u>1,231,078</u>	<u>526,168</u>
Drafts in hand and in transit			
Cash in transit	25.4	85,479	332,179
Cash in hand		1,355	-
		<u>1,317,912</u>	<u>858,347</u>

25.1 Balances with banks carry markup of 20.50% (December 31, 2023: 20.50%) per annum.

25.2 Balances with banks carry profit ranging from 6.75% to 11.01% (December 31, 2023: ranging from 6.75% to 11.01%) per annum.

25.3 Balances with banks include Rs 304,707 thousand (December 31, 2023: Rs 319,894 thousand) in respect of security deposits received.

25.4 These represent demand drafts held by the Company at period / year end.

	Six month period ended June 30, 2024	Year ended December 31, 2023
	(Rupees '000)	
26. TURNOVER - NET		
Manufactured urea	100,102,741	136,637,495
Purchased and packaged fertilizers	21,539,018	28,013,216
	<u>121,641,759</u>	<u>164,650,711</u>
Sales tax and excise duty	(6,067,561)	(5,178,760)
	<u>115,574,198</u>	<u>159,471,951</u>

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		Six month period ended June 30, 2024	Year ended December 31, 2023
	Note	(Rupees '000)	
27. COST OF SALES			
Raw materials consumed	27.1	21,072,715	27,773,339
Fuel and power		10,717,674	15,958,056
Chemicals and supplies		615,744	1,259,633
Salaries, wages and benefits		4,940,425	11,318,140
Training and employees welfare		581,378	1,595,143
Rent, rates and taxes		20,037	49,017
Insurance		409,069	722,479
Travel and conveyance		650,407	1,123,300
Repairs and maintenance (includes stores and spares consumed of Rs 624,144 thousand; December 31, 2023: Rs 939,839 thousand)		1,237,672	3,681,751
Depreciation	13.1	1,341,391	2,426,562
Amortisation	14.1	888	2,997
Communication and other expenses	27.2	2,124,923	5,418,404
		43,712,323	71,328,821
Opening stock - work in process		174,232	120,594
Closing stock - work in process		(284,324)	(174,232)
		(110,092)	(53,638)
Cost of goods manufactured		43,602,231	71,275,183
Opening stock - manufactured urea		744,590	285,104
Closing stock - manufactured urea		(857,109)	(744,590)
		(112,519)	(459,486)
Cost of sales - manufactured urea		43,489,712	70,815,697
Opening stock - purchased fertilizers		545,387	18,745,746
Purchase of fertilizers for resale		25,261,866	6,203,685
Closing stock - purchased fertilizers		(2,142,691)	(545,387)
Cost of sales - purchased fertilizers		23,664,562	24,404,044
		67,154,274	95,219,741

27.1 This includes provision for input tax disallowance amounting to Rs 1,750,000 thousand (December 31, 2023: Rs 1,510,000 thousand).

27.2 This includes provision for slow moving spares amounting to Rs 14,383 thousand (December 31, 2023: Rs 34,285 thousand).

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		Six month period ended June 30, 2024	Year ended December 31, 2023
	Note	(Rupees '000)	
28. DISTRIBUTION COST			
Product transportation	28.1	8,214,527	7,927,294
Salaries, wages and benefits		1,406,484	2,424,425
Training and employees welfare		98,193	270,602
Rent, rates and taxes		110,803	220,798
Insurance		8,272	28,711
Technical services to farmers		12,706	14,218
Travel and conveyance		271,051	445,596
Sale promotion and advertising		41,604	253,546
Communication and other expenses		418,504	840,381
Warehousing expenses		99,292	176,702
Depreciation	13.1	54,700	80,597
Amortisation	14.1	348	994
		10,736,484	12,683,864

28.1 This includes provision for input tax disallowance amounting to Rs 2,391,000 thousand (December 31, 2023: Rs Nil).

	Six month period ended June 30, 2024	Year ended December 31, 2023
29. FINANCE COSTS		
	(Rupees '000)	
Mark-up / profit on long term borrowings		
Conventional banking	1,175,354	2,108,269
Islamic banking	1,326,307	1,938,773
	2,501,661	4,047,042
Mark-up / profit on short term borrowings		
Conventional banking	208,306	839,901
Islamic banking	82,882	468,657
	291,188	1,308,558
Bank and other charges	92,847	268,175
	2,885,696	5,623,775

30. OTHER EXPENSES		
Research and development	1,100,891	1,625,277
Workers' Profit Participation Fund	2,414,800	2,866,400
Workers' Welfare Fund	705,622	914,369
Auditor's Remuneration		
Audit fee	-	3,180
Fee for half yearly review, audit of consolidated financial statements, audit of employee retirement benefit funds, review of Code of Corporate Governance and other certifications in the capacity of external auditors	1,221	2,378
Taxation services	11,252	21,766
Out of pocket expenses	505	565
	12,978	27,889
	4,234,291	5,433,935

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	Six month period ended June 30, 2024	Year ended December 31, 2023
	(Rupees '000)	
31. OTHER INCOME		
Income from financial assets		
Income on loans, deposits and investments in:		
- Pakistan Investment Bonds	233,250	481,110
- Conventional banks	343,273	756,787
- Islamic banks	517	3,159
Gain on investments:		
- Conventional mutual funds	258,595	1,841,183
- Shariah compliant mutual funds	160,117	243,632
Gain / (loss) on re-measurement of investments classified as fair value through profit of loss on:		
- Conventional mutual funds	202,207	306,455
- Shariah compliant mutual funds	(20,273)	68,229
Dividend income on:		
- Conventional mutual funds	4,265,771	7,748,893
- Shariah compliant mutual funds	3,620,139	2,219,141
Exchange (loss) / gain on foreign currency balances	(62,905)	887,075
	9,000,691	14,555,664
Income from subsidiaries/ associated companies		
Dividend from subsidiaries		
- FFCEL	731,475	-
- FWEL-I	1,576,123	1,000,000
- FWEL-II	1,269,968	800,000
	3,577,566	1,800,000
Income from revolving credit facility to FFF	39,160	325,674
Dividend from associated companies		
- FFBL	644,019	-
- AKBL	1,563,333	-
	2,207,352	-
Dividend from joint venture - PMP	829,832	-
Income from non - financial assets		
Gain on disposal of property, plant and equipment	17,812	87,252
Commission on sale of FFBL products	11,337	24,367
	29,149	111,619
Other income		
Scrap sales	4,094	140,753
Income on house building loan	40,633	67,475
Others	41,661	95,765
	86,388	303,993
	15,770,138	17,096,950

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32. FINAL TAXES - LEVIES

This represents final taxes paid under section 5 and section 8 of Income Tax Ordinance, 2001 (ITO, 2001), representing levy in terms of requirements of IAS 37/ IFRIC 21.

32.1 Reconciliation between current tax and levy:

Reconciliation of current tax charged as per tax laws for the period / year, with current tax recognized in the profit and loss account is as follows:

		Six month period ended June 30, 2024	Year ended December 31, 2023
	Note	(Rupees '000)	
Current tax liability for the period / year as per applicable tax laws		16,655,940	23,345,080
Less:			
Portion of current tax liability as per tax laws representing income tax under IAS 12	33	(14,684,462)	(20,488,259)
Portion of current tax computed as per tax laws, representing levy in terms of requirements of IAS 37/ IFRIC 21		(1,971,478)	(2,856,821)
		-	-

32.2 The aggregate of final tax and income tax amounting to Rs 16,655,940 thousand (December 31, 2023: Rs 23,345,080 thousand) represents tax liability of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

	Six month period ended June 30, 2024	Year ended December 31, 2023
	(Rupees '000)	
Current tax		
Current period / year	14,684,462	18,349,104
Prior period / year	-	2,139,155
	14,684,462	20,488,259
Deferred tax	2,453,260	528,822
	17,137,722	21,017,081

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	Six month period ended June 30, 2024	Year ended December 31, 2023
	(Rupees '000)	
33.1 Reconciliation between tax expense and accounting profit		
Profit before income tax	43,208,366	50,690,429
	%	%
Applicable tax rate	29.00	29.00
Tax effect of income that is exempt or taxable at reduced rates	(2.90)	(1.34)
Effect of permanent differences	7.81	2.23
Effect of super tax	9.47	11.57
Prior year charge - super tax	-	4.52
Effect of final tax levies	(3.97)	(4.28)
Others	0.25	(0.24)
Average effective tax rate charged on income	39.66	41.46
33.2 Tax impacts on items recognised in other comprehensive income		
Tax impact on:		
Surplus on re-measurement of investments to fair value	86,623	6,668
Gain/ (loss) on re-measurement of staff retirement benefit plans	289,194	(107,335)
	375,817	(100,667)
34. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees '000)	26,070,644	29,673,348
Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	20.49	23.32

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

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35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Six month period ended June 30, 2024		Year ended December 31, 2023	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	34,322	1,258,965	50,656	2,406,840
Contribution to provident fund	2,367	78,356	3,494	150,245
Bonus and other awards	37,420	-	28,570	501,781
Good performance award	-	520,534	-	1,077,350
Allowances and contribution to retirement benefit plans	21,843	1,819,587	15,844	4,085,291
Total	95,952	3,677,442	98,564	8,221,507
No. of person(s)	2	602	1	586

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 33,881 thousand (December 31, 2023: Rs 37,017 thousand) was paid to executives on separation, in accordance with the Company's policy.

Executive means an employee whose basic salary exceeds Rs 1,200 thousand (December 31, 2023: Rs 1,200 thousand) during the year.

In addition, 14 (December 31, 2023: 17) directors were paid aggregate fee of Rs 6,800 thousand (December 31, 2023: Rs 27,400 thousand). Directors are not paid any remuneration except meeting fee.

36. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Long term borrowings	Lease Liabilities	Unclaimed dividend	Total
	(Rupees '000)			
Balance at January 1, 2024	24,295,000	17,437	516,867	24,829,304
Changes from financing cash flows				
Repayments	(3,047,500)	-	-	(3,047,500)
Repayment of lease liability	-	(17,437)	-	(17,437)
Dividend paid	-	-	(12,203,564)	(12,203,564)
	(3,047,500)	(17,437)	(12,203,564)	(15,268,501)
Other changes				
Dividend declared	-	-	12,213,487	12,213,487
Balance at June 30, 2024	21,247,500	-	526,790	21,774,290
Balance at January 1, 2023	21,740,000	33,180	478,676	22,251,856
Changes from financing cash flows				
Draw-downs	8,000,000	-	-	8,000,000
Repayments	(5,445,000)	-	-	(5,445,000)
Repayment of lease liability - net	-	(18,301)	-	(18,301)
Dividend paid	-	-	(18,460,152)	(18,460,152)
	2,555,000	(18,301)	(18,460,152)	(15,923,453)
Other changes				
Dividend declared	-	-	18,498,343	18,498,343
Interest expense on lease liability	-	2,558	-	2,558
	-	2,558	18,498,343	18,500,901
Balance at December 31, 2023	24,295,000	17,437	516,867	24,829,304

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		Six month period ended June 30, 2024	Year ended December 31, 2023
	Note	(Rupees '000)	
37. CASH GENERATED FROM OPERATIONS			
Profit before income tax		43,208,366	50,690,429
Adjustments for:			
Unwinding of GIDC liability	9.1	198,747	1,160,336
Loss allowance on subsidy receivable from GoP and others	23.5	955,000	2,900,000
Depreciation		1,397,076	2,508,445
Amortization		1,236	3,991
Provision for slow moving spares	27.2	14,383	34,285
Finance costs	29	2,885,696	5,623,775
Gain on disposal of operating fixed assets		(17,812)	(87,252)
Interest and profit on loans, deposits and investments		(656,833)	(1,634,205)
Final taxes - levies		1,971,478	2,856,821
Exchange loss / (gain) - net	31	62,905	(887,075)
(Gain) on re-measurement of investments at fair value through profit or loss	8 31	(600,646)	(2,459,499)
Dividend income	31	(6,614,750)	(1,800,000)
		(403,520)	8,219,622
		42,804,846	58,910,051
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(884,802)	(1,517,553)
Stock in trade		(1,713,530)	17,419,879
Trade debts		(164,247)	323,037
Loans and advances		1,033,977	(2,462,833)
Deposits and prepayments		637,311	(409,679)
Other receivables		3,685,800	3,531,078
Increase / (decrease) in current liabilities			
Trade and other payables		5,517,759	7,929,538
		8,112,268	24,813,467
Changes in long term loans and advances		(430,969)	1,925,942
Changes in long term deposits and prepayments		(2,984)	-
Changes in deferred liabilities		213,810	203,776
		50,696,971	85,853,236

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38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Financial instruments by category

June 30, 2024	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets:				
Maturity up to one year	----- (Rupees '000) -----			
Trade debts	212,750	-	-	212,750
Loans and advances	1,644,538	-	-	1,644,538
Deposits	1,807	-	-	1,807
Other receivables	2,722,048	-	-	2,722,048
Short term investments	5,087,160	100,888,983	1,969,702	107,945,845
Cash and bank balances	1,317,912	-	-	1,317,912
Maturity after one year				
Long term investments	-	-	2,813,070	2,813,070
Long term loans and advances	3,060,607	-	-	3,060,607
Long term deposits	12,378	-	-	12,378
	<u>14,059,200</u>	<u>100,888,983</u>	<u>4,782,772</u>	<u>119,730,955</u>
Financial liabilities:				Amortised Cost
Maturity up to one year				Rs '000
Current portion of long term borrowings				6,497,500
Trade and other payables				90,846,820
Markup and profit accrued				935,246
Short term borrowings				7,290,885
Unclaimed dividend				526,790
Maturity after one year				
Long term borrowings				<u>14,750,000</u>
				<u>120,847,241</u>
December 31, 2023	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets:				
Maturity up to one year	----- (Rupees '000) -----			
Trade debts	48,503	-	-	48,503
Loans and advances	2,934,391	-	-	2,934,391
Deposits	242,607	-	-	242,607
Other receivables	2,946,350	-	-	2,946,350
Short term investments	4,956,685	87,688,782	2,091,434	94,736,901
Cash and bank balances	858,347	-	-	858,347
Maturity after one year				
Long term investments	-	-	2,706,925	2,706,925
Long term loans and advances	2,629,638	-	-	2,629,638
Long term deposits	12,378	-	-	12,378
	<u>14,628,899</u>	<u>87,688,782</u>	<u>4,798,359</u>	<u>107,116,040</u>

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	Amortised cost Rs '000'
Financial liabilities:	
Maturity up to one year	
Current portion of long term borrowings	6,095,000
Current portion of lease liabilities	17,437
Trade and other payables	90,550,373
Markup and profit accrued	1,304,263
Short term borrowings	13,737,746
Unclaimed dividend	516,867
Maturity after one year	
Long term borrowings	18,200,000
	<u>130,421,686</u>

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	June 30, 2024 (Rupees '000)	December 31, 2023 (Rupees '000)
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		<u>212,750</u>	<u>48,503</u>
Loans and advances			
Counterparties without external credit ratings			
Loans and advances		<u>1,644,538</u>	<u>2,934,391</u>
Deposits			
Counterparties without external credit ratings			
Others		<u>1,807</u>	<u>242,607</u>
Other receivables			
Counterparties with external credit ratings	A1+ / A1+ A1 / A1	<u>189,344</u>	<u>224,229</u>
Counterparties without external credit ratings			
Balances with related parties		<u>1,790,824</u>	<u>1,345,791</u>
Others		<u>741,880</u>	<u>1,376,330</u>
		<u>2,722,048</u>	<u>2,946,350</u>
Short term investments			
Counterparties with external credit ratings	A1+/A-1+ AM1 AM2++/AM2 /AM2+	<u>5,087,160</u> <u>78,004,630</u> <u>22,884,353</u>	<u>5,188,449</u> <u>64,594,569</u> <u>23,094,213</u>
Counterparties without external credit ratings			
PIBs issued by the Government of Pakistan		<u>1,969,702</u>	<u>1,859,670</u>
		<u>107,945,845</u>	<u>94,736,901</u>

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		June 30, 2024	December 31, 2023
	Rating	(Rupees '000)	
Bank balances			
Counterparties with external credit ratings	A-1+/A1+/P-1	1,316,488	858,286
	A1/A-1	56	51
	A-2	10	9
	A-3	3	1
		<u>1,316,557</u>	<u>858,347</u>
Long term investments			
Counterparties with external credit ratings	AA +	300,000	300,000
Counterparties without external credit ratings			
PIBs issued by the Government of Pakistan		<u>2,513,070</u>	<u>2,406,925</u>
		<u>2,813,070</u>	<u>2,706,925</u>
Long term loans and advances			
Counterparties without external credit ratings		<u>3,060,607</u>	<u>2,629,638</u>
Long term deposits			
Counterparties without external credit ratings		12,378	12,378

38.3 Financial risk management

The Company has exposures 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.

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a) 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 investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	June 30, 2024	December 31, 2023
	(Rupees '000)	
Long term investments	2,813,070	2,706,925
Loans and advances	4,705,145	5,564,029
Deposits	14,185	254,985
Trade debts - net of provision	212,750	48,503
Other receivables - net of provision	2,722,048	2,946,350
Short term investments - net of provision	107,945,845	94,736,901
Bank balances	1,316,557	858,347
	119,729,600	107,116,040

Geographically, there is no concentration of credit risk.

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

The Company's most significant amount receivable is from an Asset Management Company which amounts to Rs 14,110,787 thousand (December 31, 2023: Rs 11,206,111 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 212,750 thousand (December 31, 2023: Rs 48,503 thousand) are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	June 30, 2024		December 31, 2023	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	197,311	-	26,047	-
Past due 1-30 days	15,439	-	22,456	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Over 90 days	1,758	1,758	1,758	1,758
	214,508	1,758	50,261	1,758

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

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b) 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 manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the cash flow requirements and maintaining the debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

	Carrying amount	Within 1 year	1 to 5 years	More than 5 years
	Contractual amount (Rupees '000)			
June 30, 2024				
Long term borrowings (including current portion) and accrued interest	22,033,942	7,283,942	14,750,000	-
Trade and other payables	90,846,820	90,846,820	-	-
Unclaimed dividend	526,790	526,790	-	-
Short term borrowings and accrued interest	7,439,689	7,439,689	-	-
	<u>120,847,241</u>	<u>106,097,241</u>	<u>14,750,000</u>	<u>-</u>
December 31, 2023				
Long term borrowings (including current portion) and accrued interest	25,270,837	7,070,837	18,200,000	-
Lease liabilities	17,437	17,437	-	-
Trade and other payables	90,550,373	90,550,373	-	-
Unclaimed dividend	516,867	516,867	-	-
Short term borrowings and accrued interest	14,066,172	14,066,172	-	-
	<u>130,421,686</u>	<u>112,221,686</u>	<u>18,200,000</u>	<u>-</u>

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The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates.

c) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currencies.

Exposure to Currency Risk

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

	June 30, 2024		December 31, 2023	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balance	14	0.05	20	0.07
Investments (Term Deposit Receipts)	5,087,160	18,283	4,956,685	17,589

The following significant exchange rates applied during the period / year:

	2024 Average rates	2023	2024 Reporting date rate	2023
US Dollars	278.42	282.40	278.25	281.80

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at June 30 would have decreased profit after tax by Rs 310,318 thousand (December 31, 2023: Rs 302,359 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

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ii) 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, long term borrowings, long term investments, loans and advances, short term investments and deposits with banks. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is:

	June 30, 2024	December 31, 2023
	Carrying Amount (Rupees '000)	
Fixed rate instruments		
Financial assets	11,735,297	11,251,249
Variable rate instruments		
Financial assets	1,476,761	2,642,259
Financial liabilities	28,538,385	38,032,746

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit 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 2023.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
June 30, 2024		
Cash flow sensitivity - Variable rate instruments		
Financial assets	9,008	(9,008)
Financial liabilities	(174,084)	174,084
December 31, 2023		
Cash flow sensitivity - Variable rate instruments		
Financial assets	16,118	(16,118)
Financial liabilities	(232,000)	232,000

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis – price risk

For quoted investments classified as fair value through other comprehensive income, a 1% increase in market price at reporting date would have increased equity by Rs 29,175 thousand (December 31, 2023: Rs 29,270 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit after tax would have been an increase or decrease by Rs 615,423 thousand (December 31, 2023: Rs 534,902 thousand). The analysis is performed on the same basis for 2023 and assumes that all other variables remain the same.

38.4 Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

38.5 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying values shown in the statement of financial position, are as follows:

	June 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	----- (Rupees '000) -----			
Assets carried at amortised cost				
Long term loans and advances	3,060,607	3,060,607	2,629,638	2,629,638
Long term deposits	12,378	12,378	12,378	12,378
Trade debts	212,750	212,750	48,503	48,503
Loans and advances	1,644,538	1,644,538	2,934,391	2,934,391
Deposits	1,807	1,807	242,607	242,607
Other receivables	2,722,048	2,722,048	2,946,350	2,946,350
Short term investments	5,087,160	5,087,160	4,956,685	4,956,685
Cash and bank balances	1,317,912	1,317,912	858,347	858,347
	<u>14,059,200</u>	<u>14,059,200</u>	<u>14,628,899</u>	<u>14,628,899</u>
Assets carried at fair value				
Long term investments	2,813,070	2,813,070	2,706,925	2,706,925
Short term investments	102,858,685	102,858,685	89,780,216	89,780,216
	<u>105,671,755</u>	<u>105,671,755</u>	<u>92,487,141</u>	<u>92,487,141</u>
Liabilities carried at amortised cost				
Long term borrowings	21,247,500	21,247,500	24,295,000	24,295,000
Trade and other payables	90,846,820	90,846,820	90,550,373	90,550,373
Mark-up and profit accrued	935,246	935,246	1,304,263	1,304,263
Short term borrowings	7,290,885	7,290,885	13,737,746	13,737,746
Unclaimed dividend	526,790	526,790	516,867	516,867
Lease liabilities	-	-	17,437	17,437
	<u>120,847,241</u>	<u>120,847,241</u>	<u>130,421,686</u>	<u>130,421,686</u>

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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)		
June 30, 2024			
Assets carried at fair value			
Long term investments - FVTOCI	-	2,813,070	-
Short term investments - FVTOCI & FVTPL	100,888,983	1,969,702	-
	<u>100,888,983</u>	<u>4,782,772</u>	<u>-</u>
December 31, 2023			
Assets carried at fair value			
Long term investments - FVTOCI	-	2,706,925	-
Short term investments - FVTOCI & FVTPL	87,688,782	2,091,434	-
	<u>87,688,782</u>	<u>4,798,359</u>	<u>-</u>

38.5.1 Determination of fair values

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

Investment at fair value through profit and loss

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

Investment at fair value through other comprehensive income

Investments at fair value through other comprehensive income are determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investment in associate and subsidiary

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

Non-derivative financial assets

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

Non-derivative financial liabilities

Fair value 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.

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39. RELATED PARTY TRANSACTIONS

39.1 Following are the related parties with whom the Company had entered into transactions during the period / year:

Related party	Basis of relationship	Aggregate % age shareholding in the Company
Fauji Foundation	Holding company	44.35%
Lt Gen Anwar Ali Hyder, HI(M) (Retired)	Director	-
Mr. Waqar Ahmed Malik	Director	-
Mr. Jahangir Piracha	Director	0.00001%
Mr. Sarfaraz Ahmed Rehman	Director	-
Dr. Nadeem Inayat	Director	-
Mr. Saad Amanullah Khan	Director	0.00004%
Ms. Maryam Aziz	Director	0.00001%
Maj Gen Zafar Ul Haq (Retired)	Director	-
Mr. Yassir Ghiyati Ibn Ziyad	Director	-
Mr. Qamar Haris Manzoor	Director	0.00063%
Syed Bakhtiyar Kazmi	Director	-
Mr. Shoaib Javed Hussain	Director	-
Mr. Rashid Mahmood Langrial	Director	-
Mr. Jehangir Shah	Director	0.00008%
Dr. Ayesha Khan	Director	0.00001%
Lt Gen Waheed Arshad, T.Bt, HI(M) (Retired)	Director	-
Mr. Waseem Ajmal Chaudhary	Director	-
Syed Atif Ali	Key management personnel	-
Mr. Ather Javed	Key management personnel	-
Mr. Wajid Ishaq Bhatti	Key management personnel	-
Mr. Fakhar Ul Hasan Mahmood	Key management personnel	-
Mr. Muhammad Abdullah	Key management personnel	-
Syed Imran Shah	Key management personnel	-
Syed Iftikhar Ahmad Kirmani	Key management personnel	-
Syed Aamir Abbas	Key management personnel	-
Mr. Aamer Fayyaz	Key management personnel	-
Mr. Usman Ghani	Key management personnel	-
Mr. Muhammad Arif	Key management personnel	-
Mr. Sajjad Salim	Key management personnel	-
Syed Farooq Ahmed Bokhari	Key management personnel	-
Mr. Muhammad Qamar Ul Islam	Key management personnel	-
Mr. Tauqeer Alam Gilani	Key management personnel	-
Mr. Basharat Hussain	Key management personnel	-
Mr. Faiz Ahmed	Key management personnel	-
Mr. Zulfiqar Ali Haider	Key management personnel	-
Syed Saleem Bacha	Key management personnel	-
FFC Energy Limited	Subsidiary company	100.00%
Fauji Fresh n Freeze Limited	Subsidiary company	100.00%
Foundation Wind Energy - I Limited	Subsidiary company	100.00%
Foundation Wind Energy - II Limited	Subsidiary company	80.00%
OLIVE Technical Services (Private) Limited	Subsidiary company	100.00%
Fauji Fertilizer Bin Qasim Limited	Associated company	49.88%
Askari Bank Limited	Associated company	43.15%
Thar Energy Limited	Associated company	30.00%
Pakistan Maroc Phosphore S.A., Morocco	Common directorship	12.50%
Fauji Cement Company Limited	Common directorship	4.29%
Mari Petroleum Company Limited	Common directorship	-
Sona Welfare Foundation	Associated undertaking	-
Provident Fund Trust	Contributory provident fund	-
Gratuity Fund Trust	Defined benefit fund	-
Pension Fund Trust	Defined benefit fund	-

Atto

39.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the period / year:

Particulars	Pakistan Maroc Phosphore S.A., Morocco
Name of associated company	Pakistan Maroc Phosphore S.A.
Basis of association	Joint Venture of OCP Group and Fauji Group
Aggregate %age of shareholding by the Company	12.5% Equity Investment by the Company

39.3 Fauji Foundation holds 44.35% (December 31, 2023: 44.35%) shares of the Company at the period / year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Material transactions with related parties and the balances outstanding at the period end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 16, 21 and 35 to the financial statements respectively.

	Six month period ended June 30, 2024	Year ended December 31, 2023
	(Rupees '000)	
HOLDING COMPANY		
Transactions		
Dividend paid	5,416,681	8,204,015
Cost recharge	379,222	764,445
Sale of fertilizer	-	4,364
Others	67	1,439
Balances		
Balance payable - unsecured	188,966	-
SUBSIDIARY COMPANIES		
Transactions		
Increase in letters of comfort/ guarantees against loan	234,696	656,304
Equity investment	5,000,000	-
Advance against issue of shares	80,000	-
Advance under revolving credit facility	538,000	1,800,000
Payment received under revolving credit facility	1,800,000	-
Interest income	39,160	325,674
Rental income	19,580	36,141
Dividend income	3,577,566	1,800,000
Expenses incurred on behalf of subsidiary companies	87,804	203,536
Receipt against expenses on behalf of subsidiary companies	-	153,864
Sale of fertilizer	-	33,923
Balances		
Balance receivable - unsecured	1,142,287	2,402,074

AFW

	Six month period ended June 30, 2024	Year ended December 31, 2023
	(Rupees '000)	
ASSOCIATED UNDERTAKINGS / COMPANIES DUE TO COMMON DIRECTORSHIP		
Transactions		
Expenses charged on account of marketing of fertilizer on behalf of associated company	679,653	1,603,491
Commission on sale of products	11,337	24,367
Sale of fertilizer	84,471	435,261
Payments under consignment account - net	76,743,428	236,851,564
Payments against purchase of gas and PEF project	29,159,568	37,209,281
Equity investment	-	1,158,208
Services and materials provided	21,343	61,167
Donations	84,157	828,689
Interest expense	141,353	463,933
Interest income	2,822	6,803
Dividend income	3,037,184	-
Balances		
Long term investments	-	32,899
Short term borrowings	4,028,374	8,092,980
Balance receivable	1,614,653	607,914
Balance payable	78,200,894	72,444,064
STAFF RETIREMENT BENEFITS		
Contribution		
Employees' Provident Fund Trust	309,650	611,756
Employees' Gratuity Fund Trust	385,115	266,333
Employees' Pension Fund Trust	43,448	-
Employees' Funds as Dividend on equity holding 0.25% (December 31, 2023: 0.25%)	30,661	41,051
Balances		
Balance payable - Gratuity Fund Trust	418,666	997,592
Balance receivable - Pension Fund Trust	742,562	365,682
OTHERS		
Transactions		
Remuneration and benefits of key management personnel (Number of person(s): 21 (December 31, 2023: 20))	345,590	674,438
Balances		
Loans and advances	147,057	108,049

Affw

40. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment. Revenue from external customers for products of the Company is disclosed in note 26 to the financial statements.

41. INTEREST IN JOINT ARRANGEMENTS

In the year 2022, the Company, Engro Fertilizer Company Limited (EFERT) and Fatima Fertilizer Company Limited (FATIMA) entered into a Framework Agreement (the Agreement) for Gas Pressure Enhancement Facilities (PEF) project dated November 30, 2022. Under the Agreement, the Company, EFERT and FATIMA have decided to jointly develop and install pressure enhancement facilities at the MPCL's delivery node to sustain the current level of pressure of gas supply from HRL reservoir of Mari Petroleum Company Limited (MPCL).

All decisions with respect to development and operations of PEF would be made only with unanimous consent of the Company, EFERT and FATIMA. Accordingly, PEF arrangement would be classified as a 'Joint Arrangement' in accordance with IFRS - 11. Further, PEF would not be established through a separate legal entity and consists of an asset i.e. PEF facility which will be jointly owned and operated by the Company, EFERT and FATIMA; hence, the joint arrangement for establishment and operations of PEF has been classified as a 'Joint Operations' in these financial statements. Current cost sharing percentages in PEF of the Company, EFERT and FATIMA are 47.7%, 33.9% and 18.4%, respectively.

The Company has recognised its share of jointly held assets and liabilities of the joint operation under the appropriate heads and disclosed the same in related notes to the financial statements.

42. NON ADJUSTING EVENTS AFTER REPORTING DATE

42.1 Subsequent to the period end, the Board of Directors of the Company, in their meeting held on July 19, 2024, have granted in-principle approval to evaluate the potential amalgamation of Fauji Fertilizer Bin Qasim Limited with and into the Company by way of scheme of arrangement.

42.2 The Board of Directors in its meeting held on July 30, 2024 has proposed a second interim dividend of Rs 10 per share.

43. GENERAL

43.1 Production capacity - Urea

	Total design capacity		Production during the period/ year	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	(Tonnes '000)		(Tonnes '000)	
Goth Machhi - Plant I	695	695	429	882
Goth Machhi - Plant II	635	635	416	828
Mirpur Mathelo - Plant III	718	718	434	811
	2,048	2,048	1,279	2,521

Agro

43.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of credit and letters of guarantee amounting to Rs. 21,100,000 thousand and Rs. 1,355,000 thousand (December 31, 2023: Rs. 19,074,000 thousand and Rs. 638,000 thousand) respectively are available to the Company against lien on shipping/title documents, and charge on assets of the Company. Facilities against letter of credit include Rs 12,023,000 thousand and Rs 3,175,000 thousand (December 31, 2023: Rs. 12,032,000 thousand and Rs 3,175,000 thousand) limits assigned for issuance of SBLCs in relation to the Company's investment in Thar Energy Limited and Foundation Wind Energy Limited-I and Foundation Wind Energy Limited-II.

43.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 61,407 thousand (December 31, 2023: Rs 629,586 thousand) and Rs 22,750 thousand (December 31, 2023: Rs 199,103 thousand) respectively. These are disbursed through Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Mr. Jahangir Piracha in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

	June 30, 2024	December 31, 2023
43.4 Number of employees		
Total number of employees at end of the period / year	3,184	3,209
Average number of employees for the period / year	3,219	3,221

43.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

43.6 Corresponding figures

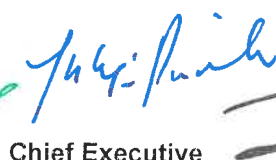
43.6.1 Corresponding figures in these financial statements pertain to the year ended December 31, 2023 and, therefore, are not entirely comparable in respect of the special purpose statement of profit or loss, the special purpose statement of profit or loss and other comprehensive income, the special purpose statement of changes in equity, the special purpose statement of cashflows and related notes to the special purpose financial statements.

43.6.2 Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of better presentation in accordance with the accounting and reporting standards as applicable in Pakistan.

44. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the Company on Sept 20, 2024.


Chairman


Chief Executive


Director


Chief Financial Officer