

FAUJI FERTILZIR BIN QASIM LIMITED

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 Bin Qasim Limited (the “**Company**”) will be held at, and conducted from, Sona Tower, 156-The Mall, Rawalpindi, Punjab, on Monday November 04, 2024 at 11:30a.m to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Extraordinary General Meeting held on 19 August 2024.

SPECIAL BUSINESS:

2. 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 the Company with and into Fauji Fertilizer Company Limited, 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.”

OTHER BUSINESS:

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

By the Order of the Board

Brig (Retd) Khurram Shahzada, SI(M)
Company Secretary

Rawalpindi: October 14, 2024

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.

Notes:

1. The share transfer books of the Company will remain closed from October 30, 2024 to November 04, 2024 (both days inclusive). Transfers received in order at the office of the Company's share registrar: M/s Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on October 29, 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 member at the EOGM. Proxies in order to be effective must be received at Company's registered office duly stamped and signed not later than 48 hours before the time of holding of the EOGM. A member cannot appoint more than one proxy. An attested copy of shareholder's CNIC must be attached with the proxy form.
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 / sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan (SECP), contained in Circular No. 1 of 2000 dated January 26, 2000:

4. **For Attending the Meeting**

- 4.1 In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his / her original national identity card or original passport at the time of attending the EOGM.
- 4.2 In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the EOGM (unless it has been provided earlier).

5. **For Appointing Proxies**

- 5.1 In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
- 5.2 The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers 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**

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

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

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

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

Signature of member

7. 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 November 01, 2024 through e-mail / SMS to be sent at shares@ffbl.com & WhatsApp No 03008713326.
- 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 |
|----------------------|----------------|-----------------------------|----------|---------------|
|----------------------|----------------|-----------------------------|----------|---------------|

* 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 11:10am on November 04, 2024 enabling the participants to join the proceedings after identification and verification process before joining the meeting, which will start at 11:30am 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.ffbl.com 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 registered address of the Company (Attention to the Company Secretary) OR through the registered email address of the member at secretary@ffbl.com by November 02, 2024

before 5:00pm 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.
- (iv) M/s Crowe Hussain Chaudhury & Co, Chartered Accountants, has been appointed as Scrutinizer under the Companies (Postal Ballot) Regulation 2018. M/s Crowe Hussain Chaudhury & Co fulfil all the eligibility conditions laid down by the Regulations and have the necessary knowledge and experience to independently scrutinize the voting process.

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 available in the register of members of the Company by the close of business on October 29 , 2024.
- (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 M/s Corplink (Pvt) Limited ,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 01, 2024, 09:00am and shall close on November 03, 2024 at 5:00pm. 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 (Corplink) 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 (Corplink).

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.

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 Bin Qasim Limited

The Board of Directors of Fauji Fertilizer Bin Qasim Limited (“**FFBL**”), in its meeting held on September 20, 2024, has decided to enter into an arrangement with its group company, Fauji Fertilizer Company Limited (“**FFCL**”), 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 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 FFBL, 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 FFBL 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 FFBL.

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 FFBL 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.

As a consequence of the Amalgamation, FFBL shall stand dissolved without winding up, and its shares shall stand delisted from the Pakistan Stock Exchange Limited, in each case in accordance with the provisions of the Scheme of Arrangement.

The directors of FFBL are interested in the Scheme of Arrangement to the extent of their directorships and shareholdings in FFBL (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 FFBL 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 FFBL 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 FFBL situated at Sona Tower, 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 BIN QASIM 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 Bin Qasim Limited (“**FFBL**”) 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 FFBL with and into Fauji Fertilizer Company Limited (“**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 FFBL on September 20, 2026 (the “**Scheme of Arrangement**”).

A copy of the Scheme of Arrangement (along with its annexures) may be obtained from the registered office of FFBL, 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 FFBL.

The notices issued and published to the members of FFBL are for the purpose of convening a meeting of the members of FFBL, 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 FFBL, 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, Ms. Saira Nasir, 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 FFBL and FFCL 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, FFBL and FFCL 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

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 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 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.

FFCL

FFCL is a public company, incorporated on May 8, 1978, the shares of which 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 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.

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 FFBL and FFCL 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 the shareholders. The FFBL Shareholders will also be in a position to benefit from the same once shares of FFCL are issued in accordance with the provisions of the Scheme of Arrangement.

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 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.

As a consequence of the Amalgamation, FFBL shall be dissolved without winding up, and shall stand delisted from the PSX, in the manner prescribed under the Scheme of Arrangement.

Summary of Financial Performance (last 5 years up to last quarter)

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 |

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 |

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 FFBL 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 FFBL. The same are available for inspection to any person entitled to attend the extraordinary general meeting, at the registered office of FFBL, 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 FFBL, free of cost during normal office hours. The said audited accounts are also available on FFBL'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 FFBL and FFCL have issued no-objection certificates / approvals with respect to the Scheme of Arrangement / Amalgamation.

Effect of the Amalgamation on Shareholding / Ownership Structure

Based on FFBL's and FFCL'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 FFBL and FFCL 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 FFBL and / or FFCL 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.

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 Zulfikar Ali Haider (Retd)
Company Secretary
Fauji Fertilizer Co. Ltd
For and on behalf of
FAUJI FERTILIZER COMPANY LIMITED

Name: Brig (Retd) Zulfikar 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



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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 |
| 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



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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.



A.F.FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fauji Fertilizer Bin Qasim Limited

Opinion

We have audited the special purpose financial statements of Fauji Fertilizer Bin Qasim 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 (here-in-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 special purpose 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 Company 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 21, 2024.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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The financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements dated February 20, 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.

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.

SAZEL



- 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

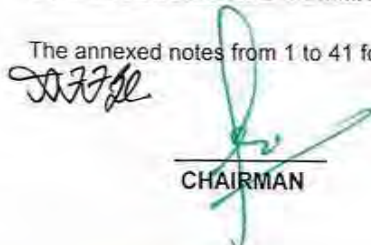
Date: September 25, 2024

Engagement Partner: JehanZeb Amin

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

| | Note | June 30, 2024 (Rupees in thousand) | December 31, 2023 (Rupees in thousand) | | Note | June 30, 2024 (Rupees in thousand) | December 31, 2023 (Rupees in thousand) |
|--|------|--|--|---|------|--|--|
| EQUITY AND LIABILITIES | | | | ASSETS | | | |
| SHARE CAPITAL AND RESERVES | | | | NON CURRENT ASSETS | | | |
| Authorized share capital | 3 | 15,000,000 | 15,000,000 | Property, plant and equipment | 13 | 9,456,408 | 9,616,371 |
| Issued, subscribed and paid-up capital | 3 | 12,912,529 | 12,912,529 | Investment property | 14 | 270,242 | 270,242 |
| Capital reserve | | | | Long term investments | 15 | 25,139,282 | 25,139,282 |
| Share premium | 4 | 1,632,729 | 1,632,729 | Long term advances | | 221,787 | 62,398 |
| Revenue reserve | | | | Long term deposits | | 78,643 | 78,643 |
| Unappropriated profit | | 21,956,219 | 12,546,061 | | | 35,166,362 | 35,166,936 |
| | | 36,501,477 | 27,091,319 | CURRENT ASSETS | | | |
| NON CURRENT LIABILITIES | | | | Stores and spares | 16 | 2,774,950 | 2,441,627 |
| Long term loans | 5 | 7,559,523 | 13,458,334 | Stock in trade | 17 | 28,172,859 | 13,786,594 |
| Deferred tax liabilities | 6 | 1,683,355 | 1,736,064 | Trade debts | 18 | 1,785,285 | 378,685 |
| Provision for compensated leave absences | 7 | 534,970 | 505,051 | Advances | 19 | 1,847,087 | 941,341 |
| | | 9,777,848 | 15,699,449 | Trade deposits and short term prepayments | 20 | 7,385 | 250,460 |
| CURRENT LIABILITIES | | | | Interest accrued | 21 | - | 32,712 |
| Trade and other payables | 8 | 58,810,029 | 55,581,217 | Other receivables | 22 | 13,375,740 | 8,443,847 |
| Contract liabilities | 9 | 4,155,947 | 25,257,715 | Sales tax refundable - net | 23 | 7,601,270 | 10,780,047 |
| Unpaid dividend | | 10,954 | 10,954 | Short term investments | 24 | 29,854,746 | 33,685,524 |
| Unclaimed dividend | | 126,876 | 114,695 | Cash and bank balances | 25 | 22,913,552 | 39,964,014 |
| Provision for income tax | | 8,248,166 | 3,217,187 | | | 108,332,874 | 110,704,851 |
| Accrued interest | 10 | 537,323 | 513,960 | | | | |
| Short term borrowings | 11 | 19,806,806 | 13,385,291 | | | | |
| Current portion of long term loans | 5 | 5,523,810 | 5,000,000 | | | | |
| | | 97,219,911 | 103,081,020 | | | | |
| | | 143,499,236 | 145,871,787 | | | | |
| CONTINGENCIES AND COMMITMENTS | | | | | | 143,499,236 | 145,871,787 |
| | 12 | | | | | | |

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


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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

| | | Six month period ended | Year ended |
|--|------|---------------------------|----------------------|
| | | June 30, 2024 | December 31, 2023 |
| | Note | (Rupees in thousand) | |
| Sales - net | 26 | 96,855,575 | 193,063,909 |
| Cost of sales | 27 | (76,733,792) | (159,954,316) |
| Gross Profit | | 20,121,783 | 33,109,593 |
| Selling and distribution expenses | 28 | (4,604,997) | (10,072,674) |
| Administrative expenses | 29 | (795,806) | (1,141,712) |
| Finance cost | 30 | (2,122,033) | (8,827,521) |
| Other expenses | 31 | (1,737,750) | (7,859,072) |
| Other income | 32 | 8,683,518 | 9,434,881 |
| | | 19,544,715 | 14,643,495 |
| Unwinding cost on GIDC payable | 8.2 | (91,429) | (498,183) |
| Profit / (loss) before levies and taxation | | 19,453,286 | 14,145,312 |
| Final taxes - levies | 8.4 | (763,782) | (435,359) |
| Profit / (loss) before taxation | | 18,689,504 | 13,709,953 |
| Taxation | 33 | (8,134,865) | (9,307,016) |
| Profit for the period / year | | 10,554,639 | 4,402,937 |
| Earnings per share - basic and diluted (Rupees) | 34 | 8.17 | 3.41 |

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

Wazir


CHAIRMAN


CHIEF EXECUTIVE DIRECTOR


CHIEF FINANCIAL OFFICER


FAUJI FERTILIZER BIN QASIM LIMITED
 SPECIAL PURPOSE STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024


| | | Six month period ended June 30, 2024 (Rupees in thousand) | Year ended December 31, 2023 |
|---|-------|--|------------------------------------|
| Profit for the period / year | | 10,554,639 | 4,402,937 |
| Other comprehensive loss for the period / year | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Remeasurement of post employment benefits obligation | 8.6.5 | 146,772 | (33,983) |
| Total comprehensive income | | <u>10,701,411</u> | <u>4,368,954</u> |

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

Waseem


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

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

| | Share capital | General reserve | Unappropriated profits | Total |
|--|---------------|----------------------|------------------------|-------------|
| | | (Rupees in thousand) | | |
| Balance as at January 1, 2023 | 12,912,529 | 1,632,729 | 8,177,107 | 22,722,365 |
| Total comprehensive income | | | | |
| Profit for the year | - | - | 4,402,937 | 4,402,937 |
| Other comprehensive loss for the year | - | - | (33,983) | (33,983) |
| Total comprehensive income for the year | - | - | 4,368,954 | 4,368,954 |
| Balance as at December 31, 2023 | 12,912,529 | 1,632,729 | 12,546,061 | 27,091,319 |
| Balance as at January 1, 2024 | 12,912,529 | 1,632,729 | 12,546,061 | 27,091,319 |
| Total comprehensive income | | | | |
| Profit for the period | - | - | 10,554,639 | 10,554,639 |
| Other comprehensive income for the period | - | - | 146,772 | 146,772 |
| Total comprehensive profit for the period | - | - | 10,701,411 | 10,701,411 |
| Transactions with owners of the Company | | | | |
| Distributions to owners | | | | |
| Final dividend 2023 (Rs. 1 per ordinary share) | - | - | (1,291,253) | (1,291,253) |
| Balance as at June 30, 2024 | 12,912,529 | 1,632,729 | 21,956,219 | 36,501,477 |

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

S.A. Qureshi


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

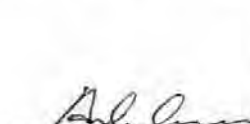

CHIEF FINANCIAL OFFICER

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

| | | Six month period ended | Year ended |
|--|-------|---------------------------|----------------------|
| | | June 30, 2024 | December 31, 2023 |
| | | (Rupees in thousand) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash used in operating activities | 35 | (23,163,297) | 62,146,101 |
| Finance costs paid | | (2,097,609) | (9,553,731) |
| Taxes paid | | (3,156,595) | (6,368,148) |
| Levies paid | 8.4 | (458,269) | (263,737) |
| Payment to gratuity fund | 8.6.5 | (93,435) | (304,231) |
| Compensated absences paid | 7 | (17,764) | (36,360) |
| Payment to Workers Welfare Fund | | - | (168,194) |
| Payment to Workers' (Profit) Participation Fund | 8.5 | (67,577) | (861,543) |
| Net cash generated used in operating activities | | <u>(29,054,546)</u> | <u>44,590,157</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditures and advances | | (533,080) | (906,362) |
| Sale proceeds from disposal of equity investments | | - | 4,300,000 |
| Sale proceeds from disposal of property, plant and equipment | 13.3 | 25,092 | 18,436 |
| Dividend received from related parties | | 781,667 | 2,250,000 |
| Short term investments - net | | - | (19,818,812) |
| Investment at fair value through profit and loss - net | | 6,885,904 | 1,487,674 |
| Profit received on bank balances and term deposits | | 2,671,414 | 4,282,828 |
| Net cash generated from investing activities | | <u>9,830,997</u> | <u>(8,386,236)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term loans - received | | 2,000,000 | - |
| Long term loans - repaid | | (7,375,000) | (5,275,000) |
| Short term borrowings - net | | 300,000 | (5,800,000) |
| Dividend paid | | (1,279,072) | (919) |
| Net cash used in financing activities | | <u>(6,354,072)</u> | <u>(11,075,919)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | <u>(25,577,621)</u> | <u>25,128,002</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR | | <u>22,672,735</u> | <u>(2,455,267)</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR | 25.3 | <u>(2,904,886)</u> | <u>22,672,735</u> |

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


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

FAUJI FERTILIZER BIN QASIM LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024

1 COMPANY AND ITS OPERATIONS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 ("the Act") with effect from May 31, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at FFBL Tower, C1/C2, Sector B, Jinnah Boulevard, DHA Phase II, Islamabad, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000. The ultimate parent of the Company is Fauji Foundation (FF).

Geographical location and addresses of business units including plants of the Company are as under:

| Location | Purpose |
|---|---------------------|
| Islamabad FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad | Head Office |
| Karachi Plot No. EZ/II/P-1 Eastern Zone, Port Qasim, Karachi | Manufacturing Plant |
| Pindi Bhattian Moza Thatta Raika and Moza Thatta Bahuman | Investment property |

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 the Company, with and into Fauji Fertilizer Company Limited. As a result, these financial statements may not be suitable for another purpose. The financial statements have been prepared on going concern basis as management believes that final outcome of aforesaid arrangement will be based on the related regulatory approvals.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff gratuity and compensated absences which are carried at present value of defined benefit obligation net of fair value of any related plan asset through actuarial valuation.

These financial statements are the separate financial statements of the Company in which investment in subsidiary companies, associates and joint venture is accounted for on the basis of direct equity interest at cost rather than on the basis of reported results. Consolidated financial statements are presented separately.

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2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest thousand, unless otherwise stated.

2.4 Significant accounting estimates, judgements and assumptions

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are discussed in ensuing paragraphs.

2.4.1 Staff retirement gratuity (note 8.6)

Defined benefit plan is provided for permanent employees of the Company. The plan is typically structured as a separate legal entity managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of mortality rate, withdrawal rate, increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.2 Compensated absences (note 7)

Compensated absences is granted to all its permanent employees in accordance with the rules of the Company. Calculations in respect of unutilized privileged leaves accumulated upto April 30, 2021 require assumptions to be made of future outcomes, the principal ones being in respect of mortality rate, withdrawal rate, increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions. 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 recognized in the profit or loss in the period in which they arise.

2.4.3 Property, plant and equipment (note 13)

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

2.4.4 Capital spares (note 13)

The Company reviews the carrying amount of capital stores on an annual basis, and as appropriate, provision is made for obsolescence if there is any change in the usage pattern and physical form of related stores.

2.4.5 Provision for inventory obsolescence (notes 16 and 17)

The Company reviews the carrying amount of stock in trade, stores and spares on an annual basis, and as appropriate, inventory is written down to its net realizable value, or a provision is made for obsolescence if there is any change in the usage pattern and physical form of related inventory. Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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2.4.6 Taxation (note 33)

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

The Company recognizes deferred tax assets, to the extent it is probable that taxable profits and tax liability, as applicable, will be available against which the deductible temporary differences and tax credits can be utilized, based on its assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies while also keeping in view the provisions of Income Tax Ordinance, 2001 related to adjustment/ carry forward of the underlying temporary differences and tax credits, in subsequent years.

2.4.7 Contingencies (note 12)

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

2.4.8 Impairment of non-financial assets

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

2.4.9 Impairment of long-term equity investments and related balances (note 15)

The carrying amount of the Company's long-term equity investments are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

Judgements

In the process of applying Company's accounting policies, management has made the judgements, as mentioned below, which have most significant effects on the amounts recognized in the financial statements.

2.4.10 Disclosure related to IFRS 16 "Lease"

As discussed in note 2.6.2, the Securities and Exchange Commission of Pakistan (SECP) has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly the Company does not apply lease accounting to its' agreements with FFBL Power Company Limited (FPCL).

2.4.11 Selection of accounting policy for GIDC (note 8.2)

In the absence of any Standard that specifically applies to recognition, measurement and disclosure requirements for such a liability, the Company has used the guidance of paragraphs 10-11 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying an accounting policy for the liability for recognition, measurement, presentation and disclosure, that would result in information that is relevant, to the economic decision-making needs of users of financial statements, and reliable; which align with accounting policy applied to a financial liability.

Signature

2.4.12 Sales tax refundable (note 23)

Management has classified the whole of the amount of Sales tax refundable as current asset based on the assessment that either the amount will be refunded in the next year or related settlement of amounts due to Government, within next twelve months will include refund of Sales tax.

Allowances against input tax charged to cost of sales under Section 73(4) of the Sales Tax Act, 1990 and part of input tax incurred where sales tax on the Company's supply of fertilizer was imposed at lower rate. The Company has determined the allowance based on its assessment of significant delay in recovery and application of possible method to allocate credit upon change in classification of fertilizer for the purpose of imposition of sales tax.

2.5 Material Accounting Policy Information

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

2.5.1 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income in which case it is recognized in statement of comprehensive income.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is calculated using balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is 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.

S.K.P.

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.

2.5.2 Final Tax / Levy

The minimum taxes and final taxes as 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) as applicable in Pakistan, are accounted for under IAS 37/IFRIC 21 as levies and not under IAS 12 as income taxes.

2.5.3 Sales tax refundable

Sales tax refundable primarily includes input sales tax related to lower rated taxable supplies for current and prior years for which refunds have been lodged with the Federal Board of Revenue. The Company has developed the accounting policy for initial recognition and subsequent measurement by making an analogy with a monetary asset.

2.5.4 Property, plant and equipment

Property, plant and equipment except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Spare parts are classified as capital spares rather than stores and spares when they meet the definition of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

Depreciation is calculated on the straight line method and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

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2.5.5 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and impairment.

Maintenance and normal repairs are charged to the income and expenditure statement as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that the respective future economic benefits will flow to the Company.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in income and expenditure statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.5.6 Investments

2.5.6.1 Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments' recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss.

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.

2.5.6.2 Investments in associates

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies.

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Investments in associates are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments' recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss.

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. Upon disposal of investment, any difference between the carrying amount of the investment in associate and proceeds from disposal is recognized in profit or loss.

2.5.6.3 Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures 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.

2.5.7 Impairment of non-financial assets

The carrying amounts of non-financial assets other than stores and spares, stock-in-trade and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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2.5.8 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores spares on regular basis and provision is made for obsolescence.

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

2.5.9 Stock in trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the reporting date less impairment, if any.

Cost is determined as follows:

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

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.

2.5.10 Financial instruments

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

a) Financial asset

Classification

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

- (i) Amortized 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.

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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 recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Further, assets are derecognized 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

Amortized 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 amortized 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 recognized 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.

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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 or loss (FVTPL)

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

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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 recognized 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 recognized 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 amortized 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 recognized from initial recognition of the receivables.

The Company recognizes 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 recognized 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. 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.

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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

Further disclosures relating to impairment of financial assets are also provided in note 37.2.

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 liability

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.

Signature

Derecognition of financial liabilities

The Company derecognizes 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 recognized 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.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

2.5.11 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

2.5.12 Revenue recognition

The entity is in the business of manufacturing of fertilizer products. Revenue from contract with customer is recognized when control of the goods are transferred to the customer via FFC, a related party at an amount that reflects the consideration to which the entity expects to be entitled for those goods. As per the terms of the inter company agreement, the Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer where as FFC is the agent in this arrangement.

Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer, generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer. The Company's credit sales normally carry credit term of 30 days to 180 days and is secured against bank guarantee. The Company's remaining sales are against advance payment by its customers.

In determining the transaction price for the sale of fertilizer, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer, if any.

SAJPL

i) Post-sales incentives

These post-sales incentives are based on monthly volume of purchases made by individual customers and is settled in cash, within 30 days of the month to which it relates to. Accordingly, no estimation uncertainty arises and the amount of payable is set off against the related trade debts.

ii) Financing component

The Company allows credit period of 30 days to 180 days to its certain customers, for the sale of fertilizer, against a credit charge determined based upon volume of sales and period of credit. There is a financing component for these contracts considering the prevailing interest rate in the market.

Scrap sales and miscellaneous receipts are recognized when they are earned.

2.5.13 Basis of allocation of common expenses

Fauji Fertilizer Company Limited (a related party) proportionately allocates common selling and distribution expenses, being the costs incurred and for services rendered on behalf of the Company, under an inter-company services agreement.

2.6 SUMMARY OF OTHER ACCOUNTING POLICIES

These policies have been applied consistently for all periods presented, unless otherwise stated.

2.6.1 Employees' benefits

The Company has established the following employees' benefit schemes for its employees:

Provident fund - Defined contribution scheme

The Company operates a defined contributory provident fund for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund both by the Company and employees at the rate of 10% of basic pay. The employees of the Company have an option to deposit extra contribution, of 5% or 10% of basic pay, to the fund. The Company's contribution is charged to income for the year.

Gratuity fund - Defined benefit scheme

The Company operates a funded gratuity scheme for all employees who complete the qualifying period of service and age. The Fund is administered by trustees. Contributions to the fund are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 8.6. Amounts determined by the actuary as charge for the period are included in the income for the period.

Remeasurement adjustments, including actuarial gains and losses arising from changes in demographic and financial assumptions and return on plan assets excluding amounts included in net interest on the net defined benefit liability, are charged or credited in other comprehensive income in the year in which they arise. Remeasurements are not reclassified to the statement of profit or loss in subsequent periods.

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Compensated absences

The Company revised its policy for compensated absences in 2021. No further accumulation of annual leaves is allowed, however, annual leaves already accumulated (up to April 30, 2021) will be continued till the time these are consumed by the individual otherwise it will be encashed on current gross at the time of separation. The Company grants compensated absences to all its permanent employees in accordance with the rules of the Company. Under this unfunded scheme, regular employees are entitled to maximum 30 days privilege leave for each completed year of service. Unutilized privileged leaves accumulated up to April 30, 2021 are encashable at the time of separation from the service on the basis of last drawn gross salary. Unutilized privilege leaves available for a year (effective from May, 2021) lapse by end of next March and are encashable only upon separation of employee in the same year.

Provisions in respect of unutilized privileged leaves accrued as of April 30, 2021, are made in accordance with the actuarial recommendation. Actuarial valuation is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognized in income in the year in which they arise. The Company has updated their estimate on the basis of latest salaries of the concerned employees and on the basis of actuarial valuation.

2.6.2 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low value asset. Lease payments on short term leases and leases of low value assets are recognized as expense on a straight line basis over the lease term.

Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

In 2017, FFBL Power Company Limited (FPCL), a subsidiary company, achieved Commercial Operation Date (COD) on May 19, 2017. Under Power Purchase Agreement (PPA), dated April 15, 2016, FPCL has agreed to provide, on an exclusive basis, 48,000 kWh electricity, with an 85% dependable capacity, for 30 years to the Company, from its two Steam Turbine Generators (STG-1 and STG-2, with STG-3 remaining on standby) at 60Hz. As a consideration, the Company is liable to pay Capacity Price and Energy Price.

Signature

Under a separate Steam Purchase Agreement (SPA), dated April 15, 2016, FPCL has also agreed to provide, on an exclusive basis, 211.30 MTPH steam for 30 years, from two of its Steam Turbines. As a consideration, the Company is liable to pay Capacity Price and Steam Price. The Company has assessed that the exemption available to power purchase agreement under the above mentioned SRO is also applicable to its steam purchase agreement as the term "Power" includes steam.

PPA and SPA convey rights to the Company to use FPCL's specified Steam Turbine Generators and Steam Turbines, respectively. Under the waiver granted by SECP, however, the Company has elected to account for the transactions under PPA and SPA on executory contract basis, in accordance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

Lease Liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.6.3 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit or loss.

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2.6.4 Trade and other payables

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

2.6.5 Contract Balances

Contract assets and Contract liabilities

A contract asset is the right to consideration in exchange for goods transferred to the customer, when the right is conditioned on something other than the passage of time. Contract asset are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in note 2.5.10.

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related good. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods to the customer).

Trade debt

A trade debt is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 2.5.10.

2.6.6 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances, short term highly liquid investments and short-term running finance.

2.6.7 Foreign currency transactions and translations

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

2.6.8 Dividend declaration and distribution

Dividends are recognized as a liability in the period in which they are declared.

Final dividend distributions to the Company's shareholders are recognized 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 recognized in the period in which the dividends are declared by the Board of Directors.

2.6.9 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.

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2.6.10 Finance income and finance costs

Finance income comprises interest income on funds invested and loans, dividend income, gain on disposal of financial assets held at amortized cost and changes in the fair value of investments. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Gain on sale of investments is recognized on the completion of sales transaction.

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

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

2.7 Standards, interpretations and amendments to approved accounting standards that are not yet effective

2.7.1 There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on January 1, 2024. However, these do not have any significant impact on the Company's financial statements.

2.7.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

| | | Effective date (annual reporting periods beginning on or after) |
|---------|--|---|
| IAS 1 | Presentation of Financial Statements (Amendments) | January 1, 2024 |
| IAS 7 | Statement of Cash Flows (Amendments) | January 1, 2024 |
| IFRS 16 | Leases (Amendments) | January 1, 2024 |
| IAS 21 | The Effects of changes in Foreign Exchange Rates (Amendments) | January 1, 2025 |
| IFRS 7 | Financial Instruments: Disclosures (Amendments) | January 1, 2026 |
| IFRS 17 | Insurance Contracts | January 1, 2026 |
| IFRS 9 | Financial Instruments – Classification and Measurement of Financial Instruments (Amendments) | January 1, 2024 |

2.7.3 The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on the Company's financial statements.

Other than the aforesaid standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2024;

Standard

| | |
|----------|--|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards |
| IFRIC 12 | Service Concession Arrangement |
| IFRS 18 | Presentation and Disclosure in Financial Statements |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures |

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3 SHARE CAPITAL

| | 2024 | | 2023 | |
|--|----------------------|--------------------|----------------------|--------------------|
| | Number of Shares | Rupees in thousand | Number of Shares | Rupees in thousand |
| Authorized Share Capital: | | | | |
| Ordinary shares of Rs. 10 each | <u>1,500,000,000</u> | <u>15,000,000</u> | <u>1,500,000,000</u> | <u>15,000,000</u> |
| Issued, subscribed and paid-up | | | | |
| Ordinary shares of Rs. 10 each fully paid in cash as at year end | <u>1,291,252,857</u> | <u>12,912,529</u> | <u>1,291,252,857</u> | <u>12,912,529</u> |

- 3.1 Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 644,018,629 and 236,161,393 (December 31, 2023; 644,018,629 and 236,161,393) Ordinary shares, respectively, of the Company at the period end.

Pursuant to an agreement dated October 16, 2016, FFCL has issued to FF, irrevocable proxies to allow FF to vote on behalf of FFCL in all general meetings. Further, FFCL has also given an undertaking that the representative of FF to be elected or co-opted or appointed on the Board of the Company, shall be nominated by FF.

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

| | Note | June 30. | December 31. |
|---|------|----------------------|------------------|
| | | 2024 | 2023 |
| 4 CAPITAL RESERVE | | (Rupees in thousand) | |
| Share premium against issuance of shares in 1996 | 4.1 | 228,350 | 228,350 |
| Share premium against issuance of shares in 2021 | | | |
| -Gross premium | 4.2 | 1,428,571 | 1,428,571 |
| -Utilization against transaction cost of issuance | 4.3 | (24,192) | (24,192) |
| | | <u>1,404,379</u> | <u>1,404,379</u> |
| | | <u>1,632,729</u> | <u>1,632,729</u> |

- 4.1 This represents share premium of Rs. 5 per share received on the public issue of 45,670 thousand ordinary shares in 1996. This reserve is restricted to be used in accordance with the specific requirements of the Companies Act, 2017.
- 4.2 During the year 2021, upon allotment of 357,143 thousand right shares an amount of Rs. 1,429 million was transferred to capital reserve at a premium of Rs. 4 per share. This reserve is restricted to be used in accordance with the specific requirements of the Companies Act, 2017.
- 4.3 During the year 2021, the Company utilized reserve of Rs. 24 million against transaction cost of shares issued.

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| 5 LONG TERM LOANS - SECURED | Note | June 30, | December 31, |
|---|------|------------------|-------------------|
| | | 2024 | 2023 |
| (Rupees in thousand) | | | |
| Loans from banking companies | | | |
| Conventional | | | |
| Habib Bank Limited | | - | 2,000,000 |
| United Bank Limited | | 562,500 | 1,125,000 |
| Bank of Punjab | | 1,250,000 | 1,250,000 |
| MCB Bank Limited | | 3,208,333 | 5,333,334 |
| Allied Bank Limited | | 4,000,000 | 6,500,000 |
| | | 9,020,833 | 16,208,334 |
| Accrued interest | 10 | 110,761 | 325,639 |
| | | <u>9,131,594</u> | <u>16,533,973</u> |
| Islamic | | | |
| Bank of Punjab | | 750,000 | 750,000 |
| Bank Islami | | 1,312,500 | 1,500,000 |
| Faysal Bank Limited | | 2,000,000 | - |
| | | 4,062,500 | 2,250,000 |
| Accrued interest on islamic loans | 10 | 182,409 | 84,293 |
| | | <u>4,244,909</u> | <u>2,334,293</u> |
| | | 13,376,503 | 18,868,266 |
| Less: Current portion shown under current liabilities | | (5,523,810) | (5,000,000) |
| Less: Accrued interest on long term loans | 10 | (293,170) | (409,932) |
| | | <u>7,559,523</u> | <u>13,458,334</u> |

5.1 Terms and Conditions of these loans are as follows:

| Lenders | Markup Rate % | No. of Installments | Commencement of Repayment | Date of Final Repayment |
|-------------------------------|----------------------|---------------------|---------------------------|-------------------------|
| United Bank Limited | 3 Month KIBOR + 0.50 | 16 Quarterly | January 2023 | October 2025 |
| Bank Islami (Musharaka) | 3 Month KIBOR + 0.50 | 16 Quarterly | January 2024 | October 2027 |
| Faysal Bank Limited | 3 Month KIBOR + 0.35 | 7 Quarterly | October 2024 | April 2026 |
| Bank of Punjab (Conventional) | 3 Month KIBOR + 0.45 | 12 Quarterly | December 2024 | September 2027 |
| Bank of Punjab (Musharaka) | 3 Month KIBOR + 0.45 | 12 Quarterly | December 2024 | September 2027 |
| MCB Bank Limited | 3 Month KIBOR + 0.50 | 16 Quarterly | March 2024 | December 2026 |
| | 3 Month KIBOR + 0.50 | 12 Quarterly | February 2025 | November 2026 |

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| Lenders | Markup Rate % | No. of Installments | Commencement of Repayment | Date of Final Repayment |
|---------------------|----------------------|---------------------|---------------------------|-------------------------|
| Allied Bank Limited | 6 Month KIBOR + 0.50 | 6 Half Yearly | December 2022 | June 2025 |
| | 3 Month KIBOR + 0.50 | 12 Quarterly | July 2023 | October 2025 |
| | 3 Month KIBOR + 0.50 | 12 Quarterly | December 2023 | December 2025 |
| | 3 Month KIBOR + 0.50 | 12 Quarterly | March 2025 | June 2026 |

These are secured against ranking charges over fixed and current assets of the Company and carry mark-up at rates ranging from 20.64% to 22.94% per annum (December 31, 2023: 21.87% to 22.94% per annum).

| | Note | June 30, 2024 | December 31, 2023 |
|--------------------------------------|------|------------------|----------------------|
| (Rupees in thousand) | | | |
| 6 DEFERRED TAX LIABILITIES | | | |
| Accelerated tax depreciation | | 1,793,788 | 1,810,839 |
| Provision for inventory obsolescence | | (112,853) | (112,853) |
| Remeasurement gain on GIDC | | 2,420 | 38,078 |
| | 6.1 | <u>1,683,355</u> | <u>1,736,064</u> |

Based on the management and tax expert's opinion, the Company has not recognized deferred tax asset against capital loss of Rs. 10,166 million (December 31, 2023: Rs. 10,166 million). The capital loss is adjustable against available capital gain upon disposal of similar equity investments and will expire in Tax Year 2030. Further, the Company has not recognized deferred tax asset on provision against subsidy receivable and provision against allowance for sales tax refundable. The existence of future temporary differences is based on the business plan which involves making judgements regarding key assumptions underlying the estimation of future temporary differences of the Company. These assumptions, if not met have significant risk of causing a material adjustment to the carrying amount of deferred tax.

| | Note | June 30, 2024 | December 31, 2023 |
|---|------|------------------|----------------------|
| (Rupees in thousand) | | | |
| 6.1 The movement of deferred tax during the current period / year is as follows: | | | |
| Balance at beginning of the period / year | | 1,736,064 | 888,672 |
| Effect of change in temporary differences | | (52,709) | 646,742 |
| Effect of change in rate | | - | 200,650 |
| Income / (loss) for the period / year | | (52,709) | 847,392 |
| | | <u>1,683,355</u> | <u>1,736,064</u> |

7 PROVISION FOR COMPENSATED LEAVE ABSENCES

| | | |
|---|----------------|----------------|
| Balance at beginning of the period / year | 505,051 | 476,770 |
| Expense for the period / year | 47,683 | 64,641 |
| Benefits paid during the period / year | (17,764) | (36,360) |
| | <u>534,970</u> | <u>505,051</u> |

Signature

| | Note | June 30 2024 | December 31 2023 |
|----------------------|---|-------------------|---------------------|
| (Rupees in thousand) | | | |
| 8 | TRADE AND OTHER PAYABLES | | |
| | Creditors | 20,717,779 | 20,560,604 |
| | Payable against GIDC | 22,327,638 | 22,236,209 |
| | Accrued liabilities | 12,369,208 | 10,981,381 |
| | Provision for levies - net | 502,354 | 196,841 |
| | Workers' (Profit) Participation Fund (WPPF) payable | 1,044,686 | 66,516 |
| | Payable to Gratuity Fund | - | 94,566 |
| | Workers' Welfare Fund (WWF) payable | 1,749,833 | 1,359,596 |
| | Provident fund payable | 451 | - |
| | Security deposits payable | 98,080 | 85,504 |
| | | <u>58,810,029</u> | <u>55,581,217</u> |

8.1 Creditors include Rs 13,777 million (December 31, 2023: Rs 14,188 million) payable to Pakistan Maroc Phosphore S.A. Morocco (PMP) and Rs 1,691 million (December 31, 2023: Rs 2,462 million) to FFBL Power Company Limited (FPCL) against purchase of raw material and the steam and power respectively. The Company purchases raw material for use in production of fertilizer from Pakistan Maroc Phosphore S.A. Morocco (PMP) at a discounted price, with a credit limit of 75 days.

| | Note | June 30 2024 | December 31 2023 |
|----------------------|--|-------------------|---------------------|
| (Rupees in thousand) | | | |
| 8.2 | Payable against GIDC | | |
| | Balance at beginning of the period / year | 22,236,209 | 21,738,026 |
| | Unwinding cost on GIDC payable for the period / year | 91,429 | 498,183 |
| | | <u>22,327,638</u> | <u>22,236,209</u> |

8.2.1 This represents amount payable on account of Gas Infrastructure Development Cess (GIDC) under Gas Infrastructure Development Cess Act, 2015 (GIDC Act) up to July 31, 2020. The Company along with other industrial gas consumers had previously challenged the GIDC Act on constitutional grounds. The Honorable Supreme Court of Pakistan (SCP) in its judgement dated August 13, 2020 declared GIDC Act as valid legislation. As per the latest orders from the Government of Pakistan, this cess shall be recoverable in 48 equal monthly installments. In accordance with the orders, the Company has recognized the present value of GIDC payable amount to Rs.22,327 million.

The Company had previously obtained stay from the Honorable Sindh High Court (SHC) against payment of GIDC, on September 22, 2020. Management has determined, based on advice of the legal advisor, that this stay remains valid till its disposal by Sindh High Court, which is pending adjudication. Accordingly, the Company has not recognized any late payment surcharge in respect of non-payment of GIDC.

8.3 This includes a provision against constructive obligation amounts to Rs. 288 million (December 31, 2023: Rs. 288 million).

| | Note | June 30 2024 | December 31 2023 |
|----------------------|---|-----------------|---------------------|
| (Rupees in thousand) | | | |
| 8.4 | Provision for levies - net | | |
| | Balance at beginning of the period / year | 196,841 | 25,219 |
| | Provision for the period / year | 763,782 | 435,359 |
| | Payment made during the period / year | (458,269) | (263,737) |
| | | <u>502,354</u> | <u>196,841</u> |

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

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| | Note | June 30 2024 (Rupees in thousand) | December 31 2023 (Rupees in thousand) |
|---|------|--|--|
| 8.5 Workers' (Profit) Participation Fund | | | |
| Balance at beginning of the period / year | | 66,516 | 158,866 |
| Interest on WPPF | 30 | 1,061 | 2,677 |
| Provision for the period / year | 31 | 1,044,686 | 766,516 |
| | | 1,112,263 | 928,059 |
| Payment made during the period / year | | (67,577) | (861,543) |
| | | <u>1,044,686</u> | <u>66,516</u> |
| 8.6 Gratuity Fund | | | |
| The Company operates a defined benefit plan comprising a funded gratuity scheme for its permanent employees. The fund for gratuity is administered by trustees. | | | |
| | | June 30, 2024 (Rupees in thousand) | December 31, 2023 (Rupees in thousand) |
| 8.6.1 The amount recognized in the statement of financial position is as follow: | | | |
| Present value of defined benefit obligation | | 987,597 | 954,050 |
| Fair value of plan assets | | (1,106,356) | (859,484) |
| Deficit | | <u>(118,759)</u> | <u>94,566</u> |
| 8.6.2 The movement in the present value of defined benefit obligation is as follows: | | | |
| Defined benefit obligation at beginning of the period / year | | 954,050 | 806,324 |
| Current service cost | | 26,964 | 42,577 |
| Past service cost | | - | (3,712) |
| Interest cost | | 71,481 | 113,102 |
| Benefits paid during the period / year | | (29,516) | (47,952) |
| Actuarial (gain) / loss | | (35,382) | 43,711 |
| Present value of defined benefit obligation at end of the period / year | | <u>987,597</u> | <u>954,050</u> |
| 8.6.3 The movement in fair value of plan assets is as follows: | | | |
| Fair value of plan assets at beginning of the period / year | | 859,484 | 502,093 |
| Interest income | | 71,563 | 91,384 |
| Contributions | | 93,435 | 304,231 |
| Benefits paid during the period / year | | (29,516) | (47,952) |
| Return on plan assets excluding those included in interest income | | 111,390 | 9,728 |
| Fair value of plan assets at end of the period / year | | <u>1,106,356</u> | <u>859,484</u> |
| 8.6.4 Plan assets comprise of: | | | |
| Investment in listed securities | | 210,060 | 149,907 |
| Investment in Treasury Bills | | 330,635 | 360,099 |
| Investment in Pakistan Investment Bonds | | 529,960 | 349,478 |
| Investment in mutual funds | | 35,701 | - |
| | | <u>1,106,356</u> | <u>859,484</u> |
| Actual return on plan assets | | <u>182,953</u> | <u>101,112</u> |
| Contribution expected to be paid to the plan during the next financial year | | <u>-</u> | <u>62,704</u> |
| 8.6.5 Movement in liability recognized in the statement of financial position: | | | |
| Balance at beginning of the period / year | | 94,566 | 304,231 |
| Expense for the period / year | | 26,882 | 60,583 |
| Other comprehensive (gain) | | (146,772) | 33,983 |
| Contributions | | (93,435) | (304,231) |
| | | <u>(118,759)</u> | <u>94,566</u> |

Signature

| | June 30, 2024 | December 31, 2023 |
|----------------------|---|----------------------|
| | (Rupees in thousand) | |
| 8.6.6 | Amount recognized in the profit or loss is as follows: | |
| Current service cost | 26,964 | 42,577 |
| Past service cost | - | (3,712) |
| Net interest | (82) | 21,718 |
| | <u>26,882</u> | <u>60,583</u> |

| | | |
|-------------------------|---|---------------|
| 8.6.7 | The expense is recognized in the following line items in the profit or loss: | |
| Cost of sales | 22,295 | 44,799 |
| Administrative expenses | 4,587 | 15,784 |
| | <u>26,882</u> | <u>60,583</u> |

8.6.8 Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the last five years is as follows:

| | June 30, 2024 | December 31, 2023 | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---|----------------------|-------------------------|-------------------------|----------------------|----------------------|
| | (Rupees in thousand) | | | | |
| Present value of defined benefit obligation | 987,597 | 954,050 | 806,324 | 735,783 | 860,194 |
| Fair value of plan assets | (1,106,356) | (859,484) | (502,093) | (538,068) | (671,579) |
| Deficit | <u>(118,759)</u> | <u>94,566</u> | <u>304,231</u> | <u>197,715</u> | <u>188,615</u> |
| Experience adjustments | | | | | |
| - Remeasurement (loss) / gain on obligation | <u>35,382</u> | <u>(43,711)</u> | <u>14,887</u> | <u>30,320</u> | <u>97,327</u> |
| - Remeasurement gain / (loss) on plan asset | <u>111,390</u> | <u>9,728</u> | <u>(51,202)</u> | <u>(39,961)</u> | <u>(50,107)</u> |

8.6.9 Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2024 are as follows:

| | June 30, 2024 | December 31, 2023 |
|--|--------------------|----------------------|
| Discount rate | 14.75% | 15.50% |
| Expected rate of salary growth | 15.25% | 16.00% |
| Mortality rate | SLIC-2001 -2005 | SLIC-2001 -2005 |
| Withdrawal factor | Moderate | Moderate |
| Average duration of defined benefit obligation | 6.20 years | 6.58 years |

8.6.10 Sensitivity analysis

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

| | Defined benefit obligation | |
|--|----------------------------|-----------------------|
| | 1 percent increase | 1 percent decrease |
| 8.6.11 Effect in millions of Rupees | | |
| Discount rate | (58) | 65 |
| Rate of salary growth | 63 | (58) |

As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation by Rs. Nil.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at June 30, 2024 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Expected gratuity cost for the next six month period is estimated to Rs. 15.8 million.

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8.6.12 Retirement benefits 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 Risks

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.

| | Note | June 30, 2024 (Rupees in thousand) | December 31, 2023 (Rupees in thousand) |
|--|------|--|--|
| 8.7 Workers' Welfare Fund | | | |
| Balance at beginning of the period / year | | 1,359,596 | 1,109,303 |
| Provision for the period / year | | 390,237 | 418,487 |
| Payment made during the period / year | | - | (168,194) |
| | | <u>1,749,833</u> | <u>1,359,596</u> |
| 8.8 | | | |
| The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business. | | | |
| | | June 30, 2024 | December 31, 2023 |
| | Note | (Rupees in thousand) | |
| 9 CONTRACT LIABILITIES | | | |
| Balance at beginning of the period / year | | 25,257,715 | 769,261 |
| Receipts during the period / year | | 82,861,314 | 212,549,486 |
| Sales during the period / year | | (103,963,082) | (188,061,032) |
| | | <u>4,155,947</u> | <u>25,257,715</u> |
| 10 ACCRUED INTEREST | | | |
| Long-term loans | | 293,170 | 409,932 |
| Short-term borrowings - demand finance | | 1,717 | 1,654 |
| Short-term borrowings - running finance | | 242,436 | 102,374 |
| | | <u>537,323</u> | <u>513,960</u> |

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| | Note | June 30, 2024 | December 31, 2023 |
|----------------------|--|-------------------|----------------------|
| (Rupees in thousand) | | | |
| 11 | SHORT TERM BORROWINGS - SECURED | | |
| | Running Finance | | |
| | Conventional | | |
| | Habib Bank Ltd | 4,798,690 | 4,146,545 |
| | Samba Bank Ltd | 250,875 | 100,292 |
| | United Bank Ltd | 604,053 | 129,801 |
| | Habib Metropolitan Bank | 2,751,449 | 2,034,971 |
| | Allied Bank Limited | 3,571 | 5,708 |
| | Muslim Commercial Bank Limited | 2,055,611 | 1,015,031 |
| | National Bank Limited | 1,100,911 | 953,911 |
| | Bank Alfalah Limited | 2,379,080 | 1,501,307 |
| | Soneri Bank Limited | 1,117,684 | 53,117 |
| | Bank AL Habib Limited | 676,758 | - |
| | Bank of Punjab | 700,000 | 500,000 |
| | | <u>16,438,682</u> | <u>10,440,683</u> |
| | Accrued Interest | 228,052 | 77,434 |
| | | <u>16,666,734</u> | <u>10,518,117</u> |
| | Islamic | | |
| | Meezan Bank Limited | 1,718,124 | 1,544,608 |
| | Dubai Islamic Bank Limited | 650,000 | 700,000 |
| | | <u>2,368,124</u> | <u>2,244,608</u> |
| | Accrued Interest | 14,384 | 24,940 |
| | | <u>2,382,508</u> | <u>2,269,549</u> |
| | Demand Finance | | |
| | Islamic | | |
| | Bank Islami | 1,000,000 | 700,000 |
| | Accrued Interest | 1,717 | 1,654 |
| | | <u>1,001,717</u> | <u>701,654</u> |
| | | <u>20,050,959</u> | <u>13,489,319</u> |
| | Accrued Interest | (244,153) | (104,028) |
| | | <u>19,806,806</u> | <u>13,385,291</u> |

11.1 These facilities carry mark-up ranging from 21.66% to 22.87% per annum (December 31, 2023: 22.40% to 23.11% per annum) and are secured by a hypothecation charge on pari-passu, fixed and current assets of the Company.

| | | June 30, 2024 | December 31, 2023 |
|----------------------|---|------------------|----------------------|
| (Rupees in thousand) | | | |
| 12 | CONTINGENCIES AND COMMITMENTS | | |
| 12.1 | Contingencies | | |
| 12.1.1 | Guarantees issued by banks on behalf of the Company | <u>236,559</u> | <u>109,227</u> |

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12.1.2 The Company has also provided financial guarantees, obtained from commercial banks, in the name of Excise and Taxation Department, Government of Sindh, with an aggregate amount of Rs. 6,217 million (December 31, 2023: Rs. 5,546 million), representing unpaid levy due under the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (Sindh Cess Act); deposited pursuant to instructions of the Honorable Sindh High Court (SHC) under a petition filed by the Company (along with various other importers of goods) challenging the constitutionality of the power exercised by the provincial legislature to levy the Cess. The Company was also depositing the 50% levy, in cash, on monthly basis since June 2011. On June 4, 2021, SHC has upheld the Sindh Cess Act as valid legislation, retrospectively with effect from July, 1, 1994. On the advice of its legal counsel, the Company filed an appeal against the decision, with the Honorable Supreme Court of Pakistan (SCP) and obtained stay order from the SCP against the decision, on September 1, 2021.

As a matter of prudence, the Company is recognizing the provision at the time of the activity that triggers the payment of the levy in accordance with the Sindh Cess Act; amounting to Rs. 6,217 million as of June 30, 2024 (December 31, 2023: Rs. 5,546 million). During the period, the Company has recognized the levy amounting to Rs. 671 million (December 31, 2023: Rs. 1,045 million) fully covered by bank guarantee.

12.1.3 During prior years, Federal Board of Revenue (FBR) issued orders raising demands of Rs. 1,960 million, Rs. 1,450 million, Rs. 1,270 million, Rs. 5,120 million, Rs. 5,840 million, Rs. 1,380 million, Rs. 960 million and Rs. 3,270 million for Tax Years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 respectively, by disallowing various expenses with consequential tax impact. The Company filed appeals with Commissioner Inland Revenue Appeals [CIR(A)] against these orders. CIR(A) has remanded back most of the matters for Tax Years 2015 to 2022 to the relevant forums for decision in accordance with law. The Company has filed appeals against the decisions of CIR(A) with Appellate Tribunal Inland Revenue (ATIR), which are pending adjudication for Tax Years 2015 to 2022. During the period, the Assistant Commissioner Inland Revenue (ACIR), vide assessment order dated January 31, 2024 has amended the Company's assessment for the tax year 2023 by making disallowance to various expenses claimed by the company resulting in disallowance of refund by Rs 4,300 million. The Company has filed appeal against the said order with CIR(A) which is pending adjudication.

12.1.4 The Company was liable to repay loans originally obtained from Export Credit Agencies (ECA), amounting to Rs. 9,723 million to the Government of Pakistan (GoP), in 15 annual equal installments, with a 1 year grace period, at zero percent, effective November 30, 2001. As per the restructuring agreement, the final installment was paid in June 2017.

These loans from ECA, which were assumed by the GoP, were initially secured with a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions. The guarantee was secured by a first equitable mortgage created on all immovable properties of the Company, and by way of hypothecation of movable properties of the Company. The charge ranked pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Company to obtain an indemnity from the GoP confirming that it is GoP's absolute obligation to indemnify and keep related banks and financial institutions harmless from any possible exposure on this account. Accordingly, on December 16, 2002, the GoP had conveyed its agreement by assuming the ECA loan liabilities by absolving related banks and financial institutions of their liabilities, for which they earlier issued guarantees to the ECA. As a result, three ECAs have released the guarantee of HBL and have returned the original documents.

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Company, has not been vacated up to June 30, 2024. The Company is making efforts in getting this guarantee released.

The management and its advisors are confident that the cases will be decided in its favour and the demands are without legal substance. Accordingly, no provision has been recognized in these financial statements in this respect

12.2 Commitments

i) Capital expenditures - contracted

ii) Letters of credit for purchase of raw materials and stores and spares

| | June 30, | December |
|--|----------------------|----------|
| | 2024 | 31, |
| | | 2023 |
| | (Rupees in thousand) | |

| | | |
|--|-----------|---------|
| | 1,151,911 | 245,667 |
|--|-----------|---------|

| | | |
|--|-----------|-----------|
| | 4,558,878 | 5,701,917 |
|--|-----------|-----------|

Signature

13 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land | Freehold land | Building on freehold land | Buildings on lease hold land | Plant and machinery* | Furniture and fittings | Vehicles | Office and other equipment | Computer and ancillary equipment | Library books | Catalyst | Capital work-in-progress | Capital spares (Plant and Machinery) | Total |
|-------------------------------------|----------------------|---------------|---------------------------|------------------------------|----------------------|------------------------|------------|----------------------------|----------------------------------|---------------|------------|--------------------------|--------------------------------------|--------------|
| | (Rupees in thousand) | | | | | | | | | | | | | |
| As at January 01, 2023 | | | | | | | | | | | | | | |
| Cost | 200,095 | 120,000 | 1,047,921 | 2,687,804 | 27,778,694 | 124,233 | 449,080 | 861,649 | 459,210 | 2,406 | 670,716 | 125,946 | 794,067 | 35,320,821 |
| Accumulated depreciation | (105,002) | - | (198,979) | (1,274,056) | (22,056,959) | (81,321) | (262,521) | (686,865) | (411,121) | (2,406) | (505,738) | - | - | (25,588,968) |
| Net book value | 95,093 | 120,000 | 848,942 | 1,413,748 | 5,721,735 | 42,912 | 186,559 | 174,784 | 47,089 | - | 160,978 | 125,946 | 794,067 | 9,731,853 |
| Year ended December 31, 2023 | | | | | | | | | | | | | | |
| Opening net book value | 95,093 | 120,000 | 848,942 | 1,413,748 | 5,721,735 | 42,912 | 186,559 | 174,784 | 47,089 | - | 160,978 | 125,946 | 794,067 | 9,731,853 |
| Additions | - | - | - | 44,044 | 391,222 | - | 106,219 | 125,813 | 120,325 | - | - | 10,510 | 83,514 | 881,647 |
| Transfers/ Adjustments | - | - | - | - | 77,612 | - | - | (7) | - | - | - | (41,204) | (36,401) | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | 37 | - | - | - | 63,986 | 7,772 | 20,138 | - | - | - | - | 91,933 |
| Accumulated depreciation | - | - | (37) | - | - | - | (53,788) | (7,772) | (20,138) | - | - | - | - | (81,735) |
| Depreciation charge | (3,209) | - | (31,557) | (80,756) | (627,144) | (10,871) | (90,647) | (69,596) | (31,202) | - | (41,949) | - | - | 10,198 |
| Closing net book value | 91,884 | 120,000 | 817,385 | 1,377,036 | 5,563,425 | 32,041 | 191,933 | 230,994 | 136,212 | - | 119,029 | 95,252 | 841,180 | 9,616,371 |
| As at December 31 2023 | | | | | | | | | | | | | | |
| Cost | 200,095 | 120,000 | 1,047,884 | 2,731,848 | 28,247,528 | 124,233 | 491,313 | 979,883 | 558,397 | 2,406 | 670,716 | 95,252 | 841,180 | 36,110,535 |
| Accumulated depreciation | (109,211) | - | (230,499) | (1,354,812) | (22,684,103) | (92,192) | (299,380) | (748,689) | (422,185) | (2,406) | (551,687) | - | - | (26,494,164) |
| Net book value | 91,884 | 120,000 | 817,385 | 1,377,036 | 5,563,425 | 32,041 | 191,933 | 230,994 | 136,212 | - | 119,029 | 95,252 | 841,180 | 9,616,371 |
| Period ended June 30, 2024 | | | | | | | | | | | | | | |
| Opening net book value | 91,884 | 120,000 | 817,385 | 1,377,036 | 5,563,425 | 32,041 | 191,933 | 230,994 | 136,212 | - | 119,029 | 95,252 | 841,180 | 9,616,371 |
| Additions | - | - | - | - | 19,802 | - | 146,215 | 63,483 | 14,741 | - | - | 52,813 | 65,588 | 372,622 |
| Transfers/ Adjustments | - | - | - | (1,412) | 36,429 | - | 975 | (11,307) | (74) | - | - | 13,048 | (36,590) | 1,069 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | - | 65,174 | - | - | - | - | - | - | 65,174 |
| Accumulated depreciation | (1,605) | - | (15,778) | (40,970) | (322,205) | (5,240) | (49,419) | (34,469) | (30,210) | - | (20,974) | - | - | (52,410) |
| Depreciation charge | - | - | - | - | - | - | 12,764 | - | - | - | - | - | - | 12,764 |
| Closing net book value | 90,279 | 120,000 | 801,607 | 1,334,654 | 5,297,451 | 26,801 | 276,940 | 248,681 | 120,669 | - | 98,055 | 171,113 | 870,158 | 9,456,408 |
| As at June 30 2024 | | | | | | | | | | | | | | |
| Cost | 200,095 | 120,000 | 1,047,884 | 2,730,436 | 28,303,759 | 124,233 | 573,329 | 1,031,859 | 573,064 | 2,406 | 670,716 | 171,113 | 870,158 | 36,419,052 |
| Accumulated depreciation | (109,816) | - | (246,277) | (1,395,782) | (23,006,308) | (97,432) | (296,389) | (783,178) | (452,395) | (2,406) | (572,661) | - | - | (26,562,644) |
| Net book value | 90,279 | 120,000 | 801,607 | 1,334,654 | 5,297,451 | 26,801 | 276,940 | 248,681 | 120,669 | - | 98,055 | 171,113 | 870,158 | 9,456,408 |
| Rate of depreciation | 2% to 4% | - | 3% | 3% | 5% | 10% | 20% to 40% | 15% | 33% to 50% | 30% | 17% to 50% | - | - | - |

* Under a musharaka arrangement, the Company has pledged items of plant and machinery with a up to a value of Rs. 3,000 million (December 31, 2023; Rs. 3,000 million).

| Note | June 30, | December 31, |
|-------------------------------|----------------|---------------|
| | 2024 | 2023 |
| (Rupees in thousand) | | |
| 13.1 Capital work-in-progress | | |
| Plant and machinery | 85,533 | 10,571 |
| Catalyst | 85,580 | 84,681 |
| | <u>171,113</u> | <u>95,252</u> |

13.2 Depreciation charge has been allocated as follows:

| | | Six month period ended June 30, 2024 | Year ended December 31, 2023 |
|-------------------------|----|--------------------------------------|------------------------------|
| Cost of sales | 27 | 454,857 | 874,380 |
| Administrative expenses | 29 | 66,033 | 112,551 |
| | | <u>520,890</u> | <u>986,931</u> |

13.3 Details of property, plant and equipment sold during the period:

| | Sold to | Cost | Book value | Disposal proceeds | Gain |
|--|---------------------|---------------|---------------|-------------------|---------------|
| (Rupees in thousand) | | | | | |
| Vehicles - as per Company policy to employees | | | | | |
| Toyota Corolla XLI | Irfan Ahmad | 2,541 | 617 | 956 | 339 |
| Toyota Corolla XLI | Muhammad Yasin | 2,601 | 785 | 1,118 | 333 |
| Toyota Yaris | Saqib Feroz | 2,578 | 793 | 1,106 | 312 |
| Toyota Corolla XLI | Nauman Waheed | 2,478 | 1,242 | 1,470 | 228 |
| Suzuki Cultus | Umar Waseem Shahzad | 1,863 | 918 | 1,051 | 133 |
| Suzuki Cultus | Ali Ashfaq | 1,830 | 746 | 919 | 174 |
| Suzuki Cultus | Muhammad Farhan | 2,140 | 942 | 1,158 | 216 |
| Suzuki Cultus | Usman Iqbal Hundal | 3,069 | 2,028 | 2,079 | 52 |
| Toyota Yaris | Majid Khan Lodhi | 3,462 | 2,221 | 2,368 | 148 |
| Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000 | | 42,612 | 2,473 | 12,866 | 10,393 |
| Balance as at June 30, 2024 | | <u>65,174</u> | <u>12,764</u> | <u>25,092</u> | <u>12,328</u> |
| Balance as at December 31, 2023 | | <u>91,933</u> | <u>10,198</u> | <u>18,436</u> | <u>8,238</u> |

13.4 Particulars of immovable assets of the Company are as follows:

| Location | Address | Covered Area (acre) |
|-----------|--|---------------------|
| Islamabad | C1/C2, Sector B, Jinnah Boulevard DHA Phase II | 2 |
| Karachi | Plot No. EZ/II/P-1 Eastern Zone, Port Qasim | 250 |
| Karachi | Tank Farm Area, Port Qasim | 8 |
| Karachi | Near Rangers Check Post, Opposite Naval Marine Base, National Highway. | 202.2 |

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| | | June 30, 2024 | December 31, 2023 |
|-------------|---|----------------------|----------------------|
| | | (Rupees in thousand) | |
| 14 | INVESTMENT PROPERTY | | |
| | Investment property - at cost | | |
| | Carrying amount | <u>270,242</u> | <u>270,242</u> |
| 14.1 | This represents freehold land measuring 166,387 acres, located at Pindi Bhattian and owned by the Company. This land is not occupied by the Company and is held for capital appreciation and earning rental income. The rental income in respect of this property amounting to Rs. 10.3 million (December 31, 2023: Rs. 10.3 million) has been recognized in profit or loss and included in other income. The Company carries this investment property under cost model. | | |
| 14.2 | The fair value of the land approximates to Rs. 500,000 thousand. The latest valuation was made in 2023 by an independent valuer, registered with Pakistan Banking Association with experience in valuation of property in Pakistan, during the prior year ended December 31, 2023 forced sale value of the land based on the valuation was Rs. 375,000 thousand. The fair value was determined with reference to the then market conditions, recent transactions of similar properties and market research. As of reporting date the Company does not have any contractual obligation to purchase, construct or develop investment property or to repair, maintain and enhance. | | |
| 14.3 | As outlined in note 40 to the financial statements, shareholders of the Company authorized the sale of the land to Fauji Foundation for total price of Rs. 856,458 thousand on August 19, 2024. | | |

| | | June 30, 2024 | December 31, 2023 |
|-----------|------------------------------|----------------------|----------------------|
| | | (Rupees in thousand) | |
| 15 | LONG TERM INVESTMENTS | | |
| | Investments held at cost | | |
| | Joint venture | 15.1 1,411,150 | 1,411,150 |
| | Associated company | 15.2 5,230,991 | 5,230,991 |
| | Subsidiary companies | 15.3 18,497,141 | 18,497,141 |
| | Other long-term investment | 15.4 - | - |
| | | <u>25,139,282</u> | <u>25,139,282</u> |

- 15.1** This represents a 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco. PMP is a private limited company having registered office located at Hay Erraha, 2, Rue Al Abtal, Casablanca, Morocco. The principal place of business is Jorf Lasfar, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad. The cost of investment in Moroccan Dirhams amounts to 200,000 thousand made in period from 2004 to 2006.

According to the shareholders' agreement, if any legal restrictions on repatriation of dividends by PMP, the dividend will be converted to an interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

PMP has declared dividend amount to Rs. 1,660 million (December 31, 2023: Rs. Nil).

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15.2 Associated company

| June 30, 2024 | December 31, 2023 | | Note | June 30, 2024 | December 31, 2023 |
|--------------------|----------------------|---------------------|--------|----------------------|----------------------|
| Number of Shares | | Quoted | | (Rupees in thousand) | |
| 312,666,610 | 312,666,610 | Askari Bank Limited | 15.2.1 | 5,230,991 | 5,230,991 |
| <u>312,666,610</u> | <u>312,666,610</u> | | | <u>5,230,991</u> | <u>5,230,991</u> |

15.2.1 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 312,667 thousand (December 31, 2023: 312,667 thousand) ordinary shares of Rs. 10 each acquired at an average price of Rs. 16.73 (December 31, 2023: Rs. 16.73) per share, after adjustment for bonus issue during the year. The market value of the investment in AKBL as at June 30, 2024 was Rs. 7,044 million (December 31, 2023: Rs. 7,729 million). The head office of AKBL is situated at AWT Plaza , P.O BOX 1084, Rawalpindi.

15.3 Subsidiary companies

| June 30, 2024 | December 31, 2023 | | Note | June 30, 2024 | December 31, 2023 |
|----------------------|----------------------|------------------------------------|--------|----------------------|----------------------|
| Number of Shares | | | | (Rupees in thousand) | |
| 644,062,500 | 644,062,500 | FFBL Power Company Limited | 15.3.1 | 6,440,625 | 6,440,625 |
| | | Quoted | | | |
| 1,134,701,257 | 1,134,701,257 | Fauji Foods Limited Gross value | 15.3.2 | 14,055,516 | 14,055,516 |
| | | Impairment | | (1,999,000) | (1,999,000) |
| <u>1,778,763,757</u> | <u>1,778,763,757</u> | | | <u>12,056,516</u> | <u>12,056,516</u> |
| | | | | <u>18,497,141</u> | <u>18,497,141</u> |

15.3.1 This represents the Company's investment in 75% equity shares of FFBL Power Company Limited (FPCL). The Company acquired 644,063 thousand ordinary shares of Rs. 10 each in FPCL for a total consideration of Rs. 6,440,625 thousand. The principal objective of FPCL is to set up and operate a 118 MW power project. FPCL has commenced commercial production on May 19, 2017, refer to note 2.6.2 for the Company's arrangement with FPCL for purchase of power and steam. The principal place of business of FPCL is Eastern Industrial Zone of Port Qasim, Karachi.

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15.3.2 During 2015, the Company jointly with Fauji Foundation, acquired a 51% shareholding of Fauji Foods Limited (Formerly Noon Pakistan Limited) (FFL), a listed company engaged in process and sale of toned milk, milk powder, fruit juices, allied dairy and food products with shares listed on the Pakistan Stock Exchange Limited. As per the agreement signed on May 18, 2015, the Company and Fauji Foundation acquired voting shares of 38.25% (4,500 thousand) and 12.75% (1,500 thousand) respectively, Management of the Company had assessed that control of FFL was obtained by the Company from the date of acquisition, i.e. September 4, 2015.

During 2016 and 2017, the Company acquired additional voting and non-voting shares of FFL through exercise of rights issues (including shares renounced by other shareholders), and from the open market, having a total cost of Rs. 2,184,067 thousand and Rs. 2,008,978 thousand, respectively.

Pursuant to approval in Annual General Meeting of the Fauji Foods Limited (FFL) held on March 26, 2018, voting and non voting shares classes of FFL have been consolidated. There was no change in the Company's effective holding after the consolidation of share classes. Accumulated shareholdings of the Company after consolidating the share classes was 50.59%, representing 267,315 thousand shares.

During 2020, pursuant to approval in Annual General Meeting (AGM) of the Company, held on March 30, 2020, the Company communicated their intention to exercise their option to convert sub-ordinated loan of Rs. 2,630 million along with related accrued mark-up as of December 31, 2019 amounting to Rs. 119 million to share capital, at face value. FFL, pursuant to their AGM held on April 2, 2020 has approved to issue 274,886,400 shares to the Company, which were allotted to the Company on July 15, 2020. Accumulated shareholdings of the Company after this conversion was 67.50%, representing 542,201 thousand shares.

During 2021, pursuant to the approval and authorization of the Board of Director's, in their meeting held on September 30, 2021, the Company acquired further shares of FFL through exercise of rights issues (including shares renounced by Fauji Foundation) by utilizing the total subordinated debt of Rs. 5.925 billion ("Principal Amount of Debt") granted by the Company to FFL. The utilization of the Principal Amount of Debt for acquiring shares was previously approved by the shareholders of the Company. Accumulated shareholdings of the Company after this conversion is 71.63%, representing 1,134,701,257 thousand shares.

Pursuant to the approval and authorization of the Board of Directors of the Company, in their meeting held on September 29, 2022, and the Board of Directors of FFL, in their meeting held on September 20, 2022, FFL issued further shares to the Company by way of other than right offer under Section 83 (1) (b) of the Companies Act, 2017 read with regulation 5 of the Companies (Further Issue of Shares) Regulations, 2020, after obtaining requisite regulatory approvals. Accordingly, 70,874,980 ordinary shares of Rs. 10/- each were issued to the Company by FFL at par against share deposit money (resulting from conversion of accrued markup on sub-ordinated loan of Rs. 708,750 thousands to equity), with total holding of 1,205,576,237 ordinary shares (i.e., 47.84% interest in FFL (December 31, 2023: 47.84%)). As part of this other than right Issue, FFBL Power Company (FPCL, the Company's subsidiary) and FFC Energy Limited (FFCEL, a related party) also received 400,000,000 ordinary shares and 465,000,000 ordinary shares, respectively, against cash consideration.

The Company continues to have control over FFL, via its direct holding and shares held by FPCL, with total holding of 63.71%.

The market value of the investment in FFL, based upon share price of free float on PSX, as at June 30, 2024, was Rs. 10,065 million (2023: Rs. 12,640 million).

As at the reporting date, the Company performed impairment testing for its investment in Fauji Foods Limited (FFL). The Company has determined recoverable amount of FFL, based on a value-in-use calculation, determined by discounting the future cashflows. The key assumptions used in the estimation of value in use are as follows:

| | % Per annum |
|----------------------------|-------------|
| Discount rate | 20.16% |
| Terminal value growth rate | 7.34% |
| Growth rate - revenues | 5.75% |

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This discount rate represents estimate of rate implicit in relevant market for the same currency in which the cash flows arise. Five years of free equity cash flows were included in the discounted cash flow model, and thereafter on the basis of terminal value growth rate.

Growth rate was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced in the recent years and the estimated sales volume and price growth.

Following the impairment testing, management concludes that recoverable amount of investment exceeds its carrying value. However, in the future years, any adverse movement in the key assumptions may lead to reduction in recoverable amount.

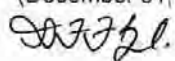
- 15.4 The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The breakup value based on audited accounts for the year ended June 30, 2018 was negative Rs. 10.67 per ordinary share. This investment is fully impaired.

| | Note | June 30, 2024 | December 31, 2023 |
|---|------|-------------------|----------------------|
| (Rupees in thousand) | | | |
| 16 STORES AND SPARES | | | |
| Stores | | 868,791 | 782,810 |
| Spares | | 2,195,527 | 1,948,185 |
| Provision for obsolescence | 16.1 | (289,368) | (289,368) |
| | | <u>2,774,950</u> | <u>2,441,627</u> |
| 16.1 The movement in provision is as follows: | | | |
| Balance at the beginning of period / year | | 289,368 | 289,368 |
| Provision recognized during the period / year | 27 | - | - |
| | | <u>289,368</u> | <u>289,368</u> |
| 17 STOCK IN TRADE | | | |
| Packing materials | | 300,950 | 312,252 |
| Raw materials | | 2,267,273 | 3,660,289 |
| Raw materials in transit | | 13,420,006 | 9,233,677 |
| Work in process | | 337,626 | 426,396 |
| Finished goods | 17.1 | 11,847,004 | 153,980 |
| | | <u>28,172,859</u> | <u>13,786,594</u> |
| 17.1 As at June 30, 2024, finished goods stock amounting to Rs. 9,912 million (December 31, 2023: Rs. 67 million) are held with Fauji Fertilizer Company Limited. | | | |
| | | June 30, 2024 | December 31, 2023 |
| (Rupees in thousand) | | | |
| 18 TRADE DEBTS | | | |
| Not yet due | 18.1 | 1,785,285 | 314,131 |
| Past due 1-30 days | | - | 64,554 |
| Past due 31-60 days | | - | - |
| Past due 61-90 days | | - | - |
| Over 90 days | | - | - |
| | | <u>1,785,285</u> | <u>378,685</u> |

- 18.1 These trade debts are secured by way of bank guarantees.

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| | | Note | June 30, 2024 | December 31, 2023 |
|-------------|--|-------------|----------------------|----------------------|
| | | | (Rupees in thousand) | |
| 19 | ADVANCES | | | |
| | Advances to: | | | |
| | Executives, secured, considered good | | 28,774 | 23,217 |
| | Other employees, secured, considered good | | 91,975 | 102,148 |
| | | 19.1 & 19.2 | 120,749 | 125,365 |
| | Advances to suppliers and contractors | | | |
| | Considered good | | 1,726,338 | 815,976 |
| | | | <u>1,847,087</u> | <u>941,341</u> |
| 19.1 | Movement of carrying amount of advances to executives and other employees | | | |
| | Balance at beginning of the period / year | | 125,365 | 122,584 |
| | Disbursements during the period / year | | 139,911 | 152,844 |
| | Repayments during the period / year | | (144,527) | (150,063) |
| | | | <u>120,749</u> | <u>125,365</u> |
| 19.2 | These represent interest free advances given to employees (including executives), of the Company, in accordance with the Company's policy. These include house loans which are repayable within one year and vehicle loans which are repayable within five years. Maximum amount outstanding with key management personnel were Rs. 933 thousand (December 31, 2023: Rs. 1,600 thousand), at any time during the year. Management has assessed that present value impact of discounting is immaterial. | | | |
| | | | June 30, 2024 | December 31, 2023 |
| | | Note | (Rupees in thousand) | |
| 20 | TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | | |
| | Security deposits | | 5,457 | 7,994 |
| | Prepayments | | 1,928 | 242,466 |
| | | | <u>7,385</u> | <u>250,460</u> |
| 21 | INTEREST ACCRUED | | | |
| | Subordinated loan to FFL (including guarantee fee) | | - | 32,712 |
| 22 | OTHER RECEIVABLES | | | |
| | Due from Fauji Fertilizer Company Limited - unsecured, considered good | 22.1 | <u>10,368,013</u> | 4,486,638 |
| | Subsidy on DAP and Urea receivable from the Government of Pakistan | 22.2 | 3,160,992 | 3,160,992 |
| | Receivable from PMP | 22.3 | 1,664,083 | 1,366 |
| | Receivable from FPCL | 22.4 | 234,121 | 148,760 |
| | Receivable from FML | 22.5 | 10,525 | 24,184 |
| | Receivable from FFL | 22.6 | 2,000 | 15,454 |
| | Letter of credit margin | | 962,772 | 3,740,033 |
| | Receivable from Gratuity Fund | 8.6 | 118,759 | - |
| | Others - considered good | | 15,467 | 27,412 |
| | | | <u>16,536,732</u> | <u>11,604,839</u> |
| | Less: Provision against subsidy receivable | 22.7 | (3,160,992) | (3,160,992) |
| | | | <u>13,375,740</u> | <u>8,443,847</u> |
| 22.1 | This represents interest free amount receivable on demand and it is recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Company's products under an inter-company services agreement. The collection is transferred on a weekly basis. Maximum amount outstanding during the period was Rs. 10,368 million (December 31, 2023: Rs. 18,487 million). It is neither past due nor impaired. | | | |



- 22.2 This includes a subsidy at the rate of PKR 100 per 50 kg bag on the sale of Urea. Pursuant to notification No.15 (4) CFC / 2015 dated August 07, 2017, issued by the Ministry of Finance, Government of Pakistan, subsidy scheme has been discontinued with effect from June 30, 2018. This also includes a subsidy at the rate of PKR 300 per 50 kg bag on the sale of Di-Ammonium Phosphate (DAP) fertilizer, and a subsidy at the rate of PKR 156 per 50 kg bag of Urea, pursuant to notification F. No. 1-11/2012/DFSC-II/Fertilizer dated June 25, 2016, issued by the Ministry of National Food Security and Research, Government of Pakistan.
- 22.3 This includes dividend receivable amount to Rs. 1,660 million (December 31, 2023: Nil). Maximum amount outstanding during the period was Rs. 1,666 million (December 31, 2023: Rs. 15 million). It is neither past due nor impaired.
- 22.4 This represents receivable from FPCL, a subsidiary of the Company against the material / services provided and use of common facility, during the period. The related invoice is issued on a monthly basis with a credit period of 30 days. Maximum amount outstanding during the period was Rs. 231 million (December 31, 2023: Rs. 1,322 million). It is neither past due nor impaired.
- 22.5 This represents receivable from FML, a related party of the Company against a charge under inter company agreement for use of common facility, during the period. The related invoice is issued on a monthly basis with a credit period of 30 days. Maximum amount outstanding during the period was Rs. 37 million (December 31, 2023: Rs. 35 million). It is neither past due nor impaired.
- 22.6 This represents receivable from FFL, a subsidiary of the Company against the use of common facility during the period. Maximum amount outstanding during the period was Rs. 2 million (December 31, 2023: Rs. 17.1 million). It is neither past due nor impaired.

| | | June 30, 2024 | December 31, 2023 |
|------|--|----------------------|----------------------|
| | Note | (Rupees in thousand) | |
| 22.7 | Movement in provision during the period / year is as follows: | | |
| | Balance at beginning of the period / year | 3,160,992 | - |
| | Provision for the period / year | - | 1,810,040 |
| | Transferred from expected credit loss against doubtful other receivables | - | 1,350,952 |
| | | <u>3,160,992</u> | <u>3,160,992</u> |
| 23 | SALES TAX REFUNDABLE - NET | | |
| | Sales tax refundable | 15,711,328 | 15,453,134 |
| | Allowance for input tax | (8,110,058) | (4,673,087) |
| | | <u>7,601,270</u> | <u>10,780,047</u> |
| 23.1 | Movement in provision during the period is as follows: | | |
| | Balance at beginning of the period / year | 4,673,087 | 1,107,276 |
| | Allowance during the period / year | 3,436,971 | 3,565,811 |
| | | <u>8,110,058</u> | <u>4,673,087</u> |
| 24 | SHORT TERM INVESTMENTS | | |
| | Investments at fair value through profit or loss | | |
| | Mutual funds | 24.1 | <u>29,854,746</u> |
| 24.1 | Mutual funds | | <u>33,685,524</u> |

| Nature of fund | June 30, 2024 | | |
|--------------------|----------------------|-------------------|-------------------|
| | No. of units | Cost | Fair value |
| | (Rupees in thousand) | | |
| Cash fund | 215,444 | 9,480,329 | 10,815,999 |
| Islamic fund | 510,743 | 13,431,940 | 16,757,434 |
| Money market funds | 119,547 | 4,000,000 | 2,281,313 |
| | | <u>26,912,269</u> | <u>29,854,746</u> |
| Nature of fund | December 31, 2023 | | |
| | No. of units | Cost | Fair value |
| | (Rupees in thousand) | | |
| Cash fund | 317 | 33 | 35 |
| Islamic fund | 472,986 | 20,533,506 | 20,693,319 |
| Money market funds | 315,507 | 11,800,453 | 12,992,170 |
| | | <u>32,333,992</u> | <u>33,685,524</u> |

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| | | June 30, 2024 | December 31, 2023 |
|-----------|---|---------------------------|----------------------|
| | | (Rupees in thousand) | |
| 25 | CASH AND BANK BALANCES | | |
| | Local Currency | | |
| | Current Account- Conventional Banking | 129,136 | 129,362 |
| | Current Account- Islamic Banking | - | - |
| | Deposit Account- Conventional Banking | 25.1 & 25.2 16,441,504 | 21,850,562 |
| | Deposit Account- Islamic Banking | 25.1 & 25.2 6,336,625 | 17,977,541 |
| | | <u>22,907,265</u> | <u>39,957,465</u> |
| | Foreign Currency | | |
| | Deposit accounts (2024: USD 19,897.76, 2023: USD 19,814.56) | 5,540 | 5,588 |
| | Cash in hand | 747 | 961 |
| | | <u>22,913,552</u> | <u>39,964,014</u> |

25.1 This includes balances of Rs. 7,012 million (December 31, 2023; Rs. 4,607 million) held under lien.

25.2 These deposit accounts carry interest at rates ranging from 10% to 21% (December 31, 2023: 5.50% to 22%) per annum.

| | | June 30, 2024 | December 31, 2023 |
|-------------|--|----------------------|----------------------|
| | | (Rupees in thousand) | |
| 25.3 | CASH AND CASH EQUIVALENTS | | |
| | Cash and cash equivalents included in the statement of cash flows comprise of the following: | | |
| | Cash and bank balances | 25 22,913,552 | 39,964,014 |
| | Short-term running finance | 11 (18,806,806) | (12,685,291) |
| | Bank balances held under lien | (7,011,632) | (4,605,988) |
| | | <u>(2,904,886)</u> | <u>22,672,735</u> |

| | | Six month period ended June 30, 2024 | Year ended December 31, 2023 |
|-----------|--|--|------------------------------------|
| | | (Rupees in thousand) | |
| 26 | SALES - NET | | |
| | Urea | 18,721,427 | 20,864,734 |
| | Manufactured DAP | 79,526,596 | 184,725,742 |
| | Imported DAP | 6,145,151 | - |
| | Boron DAP | 1,475,445 | - |
| | Gross revenue from contracts with customers | 26.1 105,868,619 | 205,590,476 |
| | Less: | | |
| | Sales tax | 4,154,010 | 6,185,935 |
| | Federal Excise Duty | 4,847,697 | 6,316,263 |
| | Commission to Fauji Fertilizer Company Limited | 26.2 11,337 | 24,369 |
| | | 9,013,044 | 12,526,567 |
| | | <u>26.3 96,855,575</u> | <u>193,063,909</u> |

26.1 Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer through Fauji Fertilizer Company Limited who possess the right of distribution of the Company's product, a related party. Generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer.

26.2 Commission is paid at the rate of Re. 1 per bag sold by Fauji Fertilizer Company Limited, based on an inter-company services agreement.

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| | Six month period ended | Year ended |
|---|---------------------------|----------------------|
| | June 30, 2024 | December 31, 2023 |
| 26.3 Disaggregated revenue information | | |
| Type of goods or service | | |
| Urea | 17,825,618 | 20,356,425 |
| Manufactured DAP | 72,118,991 | 172,707,484 |
| Imported DAP | 5,572,933 | - |
| Boron DAP | 1,338,033 | - |
| Total revenue from contracts with customers | <u>96,855,575</u> | <u>193,063,909</u> |
| 26.4 Contract Balances | | |
| Trade debts | <u>1,785,285</u> | <u>378,685</u> |
| Contract liabilities | <u>4,155,947</u> | <u>25,257,715</u> |

Owing to market conditions, credit sales increased towards the end of the period, whereas advances from customers decreased from Rs. 25,257 million to Rs. 4,156 million as a result of decreased demand. The transaction price allocated to unsatisfied performance obligations as at June 30, 2024 are expected to be recognized as revenue within 1 year.

| | Note | Six month period ended | Year ended |
|--|------|---------------------------|----------------------|
| | | June 30, 2024 | December 31, 2023 |
| | | (Rupees in thousand) | |
| Set out below is the amount of revenue recognized from: | | | |
| Amounts included in contract liabilities at the beginning of the period / year | | <u>25,257,715</u> | <u>769,261</u> |
| 27 COST OF SALES | | | |
| Raw materials consumed | | 66,011,534 | 97,566,331 |
| Packing materials consumed | | 786,860 | 1,447,115 |
| Fuel and power | 27.1 | 11,552,843 | 21,696,844 |
| Chemicals and supplies consumed | | 193,552 | 369,194 |
| Salaries, wages and benefits | 27.2 | 1,869,482 | 2,495,602 |
| Rent, rates and taxes | | 31,109 | 89,123 |
| Insurance | | 215,544 | 406,184 |
| Travel and conveyance | | 137,380 | 303,647 |
| Repairs and maintenance | | 1,152,794 | 2,006,046 |
| Communication, establishment and other expenses | | 497,325 | 728,602 |
| Depreciation | 13.2 | 454,857 | 874,380 |
| Opening stock - work-in-process | | 426,396 | 140,442 |
| Closing stock - work-in-process | | (337,626) | (426,396) |
| Cost of goods manufactured | | <u>82,992,050</u> | <u>127,697,114</u> |
| Opening stock - finished goods | | 153,980 | 32,411,182 |
| Closing stock - finished goods | | (11,847,004) | (153,980) |
| Cost of sales - manufactured fertilizers | | <u>71,299,026</u> | <u>159,954,316</u> |
| Cost of sales - purchased fertilizer for sale | | 5,434,766 | - |
| | | <u>76,733,792</u> | <u>159,954,316</u> |

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- 27.1 This includes cost recognized for use of power and steam, generated by FPCL, a subsidiary company, having an aggregate amount of Rs. 5,042 million and Rs. 5,734 million (December 31, 2023: Rs. 7,892 million and Rs. 10,950 million), respectively.
- 27.2 This includes a charge on account of employees' retirement benefits in respect of the gratuity, provident funds, and for compensated absences, amounting to Rs. 22 million, Rs. 33 million and Rs. 39 million, respectively. (December 31, 2023: Rs. 45 million, Rs. 58 million and Rs. 53 million, respectively).

| | Note | Six month | Year ended |
|----|--|----------------------|-------------------|
| | | period ended | December 31, |
| | | June 30, | 2023 |
| | | 2024 | 2023 |
| | | (Rupees in thousand) | |
| 28 | SELLING AND DISTRIBUTION EXPENSES | | |
| | Product transportation | 3,459,922 | 8,227,705 |
| | Salaries, wages and benefits | 27,200 | 32,721 |
| | Travel and conveyance | 1,244 | 278 |
| | Others | 700 | 429 |
| | | <u>3,489,066</u> | <u>8,261,133</u> |
| | Expenses allocated by Fauji Fertilizer Company Limited | 28.1 | 1,115,931 |
| | | <u>4,604,997</u> | <u>10,072,674</u> |

- 28.1 This represents common expenses allocated by Fauji Fertilizer Company Limited on account of marketing of the Company's products based on an inter company services agreement.

| | Note | Six month | Year ended |
|----|---|----------------------|------------------|
| | | period ended | December 31, |
| | | June 30, | 2023 |
| | | 2024 | 2023 |
| | | (Rupees in thousand) | |
| 29 | ADMINISTRATIVE EXPENSES | | |
| | Salaries, wages and benefits | 430,883 | 695,243 |
| | Travel and conveyance | 21,085 | 42,583 |
| | Utilities | 19,404 | 50,355 |
| | Repairs and maintenance | 135,139 | 124,177 |
| | Insurance | 6,556 | 8,502 |
| | Communication, advertisement and other expenses | 78,694 | 23,059 |
| | Auditor's remuneration | 22,033 | 6,058 |
| | Rent, rates and taxes | 2,647 | 13,968 |
| | Legal and professional | 13,332 | 24,001 |
| | Depreciation | 66,033 | 112,551 |
| | Miscellaneous | - | 41,215 |
| | | <u>795,806</u> | <u>1,141,712</u> |

- 29.1 This includes charges on account of employees' retirement benefits in respect of the gratuity and provident funds, and for compensated absences, amounting to Rs. 5 million, Rs. 9 million and Rs. 9 million (December 31, 2023: Rs. 16 million, Rs. 17 million and Rs. 12 million), respectively.

| | Note | Six month | Year ended |
|------|---|----------------------|--------------|
| | | period ended | December 31, |
| | | June 30, | 2023 |
| | | 2024 | 2023 |
| | | (Rupees in thousand) | |
| 29.2 | Auditor's remuneration | | |
| | Annual audit | - | 2,600 |
| | Half yearly review | 750 | 570 |
| | Review of statement of compliance with code | - | 230 |
| | Reasonable assurance on free float | - | 200 |
| | Other certification and services | 9,183 | 1,958 |
| | Tax services | 12,000 | - |
| | Out of pocket expenses | 100 | 500 |
| | | <u>22,033</u> | <u>6,058</u> |

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| | Note | Six month period ended June 30, 2024 (Rupees in thousand) | Year ended December 31, 2023 |
|--|-------------|---|------------------------------------|
| 30 FINANCE COST | | | |
| Mark-up on short-term borrowings | | 286,381 | 2,966,489 |
| Mark-up on demand finance | | 37,276 | 716,619 |
| Mark-up on long-term finance | | 1,730,768 | 4,501,770 |
| Guarantee fee | | 34,675 | 12,008 |
| Interest on WPPF | 8.5 | 1,061 | 2,677 |
| Other financial charges | | - | 567,791 |
| Bank charges | | 31,872 | 60,167 |
| | | <u>2,122,033</u> | <u>8,827,521</u> |
| 31 OTHER EXPENSES | | | |
| Workers' (Profit) Participation Fund | 8.5 | 1,044,686 | 766,516 |
| Workers' Welfare Fund | | 390,237 | 418,487 |
| Provision against doubtful other receivables | | - | 1,810,040 |
| Donations | 31.1 & 31.2 | 111,620 | 346,699 |
| Exchange loss | | 191,207 | 4,517,330 |
| | | <u>1,737,750</u> | <u>7,859,072</u> |

31.1 During the period, the Company has not paid donations to any organization, in which any director or his spouse has any interest. Some of the donations are paid through Fauji Foundation as part of group corporate social responsibility policy for welfare activities.

31.2 Donation to following parties / organizations exceeded 10% of total donation expense or Rs. 1 million:

| | | Six month period ended June 30. | Year ended December 31. |
|---|--------|---------------------------------------|----------------------------|
| | | (Rupees in thousand) | |
| Al-Shifa Trust Eye Hospital | | - | 1,000 |
| Fauji Foundation | | 109,760 | 341,940 |
| 32 OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit on bank balances and term deposits | | 2,638,701 | 4,269,760 |
| Cash dividend on mutual funds | | 2,951,088 | 1,487,674 |
| Fair value gain / (loss) on mutual fund investments | | 104,038 | 102,452 |
| Mark-up on sub-ordinated loans and guarantee fee | | - | 2,712 |
| | | <u>5,693,827</u> | <u>5,862,598</u> |
| Income from assets other than financial assets | | | |
| Scrap sales and miscellaneous receipts | | 176,012 | 569,199 |
| Income from subsidiaries | 32.1 | 360,020 | 476,806 |
| Dividends income | 32.2 | 2,441,331 | 2,250,000 |
| Gain on disposal of investment in subsidiary | 15.3.1 | - | 268,040 |
| Gain on sale of property, plant and equipment | | 12,328 | 8,238 |
| | | <u>2,989,691</u> | <u>3,572,283</u> |
| | | <u>8,683,518</u> | <u>9,434,881</u> |

32.1 This represent amounts charged to subsidiary companies against the use of common facilities under respective inter-company agreements.

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| | Six month period ended June 30, 2024 (Rupees in thousand) | Year ended December 31, 2023 |
|---|---|------------------------------------|
| 32.2 Dividend Income | | |
| Dividend from Pak Maroc Phosphore | 1,659,664 | - |
| Dividend from Askari Bank Limited | 781,667 | - |
| Dividend from FFBL Power Company Limited | - | 2,250,000 |
| | <u>2,441,331</u> | <u>2,250,000</u> |
| 33 TAXATION | | |
| Current tax | | |
| For the period | 8,187,574 | 8,622,450 |
| Prior years | - | (162,826) |
| | 8,187,574 | 8,459,624 |
| Deferred tax | | |
| For the period | (52,709) | 36,177 |
| Prior years | - | 811,215 |
| | (52,709) | 847,392 |
| | <u>8,134,865</u> | <u>9,307,016</u> |
| 33.1 Reconciliation of tax charge for the period / year: | | |
| Profit before income tax | 18,689,504 | 13,709,953 |
| Tax on profit at 29% (2023: 29%) | 5,419,956 | 3,975,886 |
| Tax effect of lower rate on certain income / expenses | (341,786) | (315,000) |
| Tax effect of final tax levies | (664,490) | (334,882) |
| Tax effect of permanent differences | 1,526,625 | 3,008,493 |
| Prior year charge super tax | - | 839,104 |
| Effect of change in effective rate due to super tax | - | (161,577) |
| Effect of super tax | 2,195,316 | 2,317,434 |
| Others | (756) | (22,442) |
| | <u>8,134,865</u> | <u>9,307,016</u> |
| Effective rate | <u>44%</u> | <u>68%</u> |
| | Note | |
| | June 30, 2024 | December 31, 2023 |
| | (Rupees in thousand) | |
| 34 EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit after taxation (Rupees '000) | <u>10,554,639</u> | <u>4,402,937</u> |
| Weighted average number of ordinary shares in issue during the year (thousands) | <u>1,291,253</u> | <u>1,291,253</u> |
| Earnings share - basic and diluted (Rupees) | <u>8.17</u> | <u>3.41</u> |

There is no dilutive effect on the basic earnings per share of the Company for the six month period ended June 30, 2024.

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| | Note | June 30, 2024 (Rupees in thousand) | December 31, 2023 (Rupees in thousand) |
|--|-------|--|--|
| 35 CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES | | | |
| Profit before taxation | | 18,689,504 | 13,709,953 |
| Adjustments for non- cash charges and other items: | | | |
| Provision for gratuity | 8.6.6 | 26,882 | 60,583 |
| Provision against levies | 8.4 | 763,782 | 435,359 |
| Exchange loss | | 191,207 | 4,517,330 |
| Provision for compensated absences | 7 | 47,683 | 64,641 |
| Provision against sales tax refundable | 23.1 | 3,436,971 | - |
| Provision for Workers' (Profit) Participation Fund | 8.5 | 1,044,686 | 766,516 |
| Provision for Workers' Welfare Fund | 31 | 390,237 | 418,487 |
| Depreciation | 13.2 | 520,890 | 986,931 |
| Unwinding cost on GIDC payable | | 91,429 | 498,183 |
| Allowance for expected credit loss on other receivables | 22.7 | - | 1,810,040 |
| Finance cost | 30 | 2,122,033 | 8,827,521 |
| Dividend income | 32.2 | (2,441,331) | (2,250,000) |
| Allowance for input tax | | - | 3,565,811 |
| Gain on disposal of investment | | - | (268,040) |
| Profit on saving accounts and term deposits | 32 | (2,638,701) | (4,269,760) |
| Fair value gain and related income on mutual funds | 32 | (3,055,126) | (1,590,126) |
| Gain on disposal of property, plant and equipment | 32 | (12,328) | (8,238) |
| Operating profit before working capital changes | | 19,177,818 | 27,272,479 |
| Changes in working capital | | | |
| Stores and spares | | (333,323) | (302,014) |
| Stock in trade | | (14,386,265) | 25,449,417 |
| Trade debts | | (1,406,600) | 11,449,486 |
| Advances | | (905,746) | (510,165) |
| Trade deposits and short term prepayments | | 243,075 | (69,015) |
| Other receivables | | (3,153,470) | (6,823,790) |
| Sales tax refundable | | (258,194) | 2,468,186 |
| Trade and other payables | | 1,366,820 | (20,118,037) |
| Bank balances held under lien | 25.1 | (2,405,644) | (1,158,900) |
| Contract liability | 9 | (21,101,768) | 24,488,454 |
| | | (42,341,115) | 34,873,622 |
| Cash used in operations | | (23,163,297) | 62,146,101 |

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | June 30, 2024 | | December 31, 2023 | |
|-----------------------------|----------------------|------------------|-------------------|------------------|
| | Chief Executive | Executives | Chief Executive | Executives |
| | (Rupees in thousand) | | | |
| Managerial remuneration | 20,470 | 618,014 | 41,972 | 891,785 |
| Bonus paid | 24,564 | 542,930 | 10,951 | 359,572 |
| Contributory provident fund | 1,243 | 25,886 | 2,553 | 43,482 |
| Others | - | 143,454 | - | 247,395 |
| | 46,277 | 1,330,284 | 55,476 | 1,542,234 |
| No. of person (s) | 1 | 214 | 1 | 175 |

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As per Companies Act 2017, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

The above are provided with medical facilities as well. The Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment, while the contribution for executives in respect of gratuity is on the basis of an actuarial valuation. Leave encashment was paid to executives amounting to Rs. 6 million (December 31, 2023: Rs. 17 million) on separation in accordance with the Company's policy.

Directors of the Company were paid meeting fees aggregating to Rs. 7 million (December 31, 2023: Rs. 20 million). No other remuneration was paid to directors of the Company (December 31, 2023: Nil). The number of directors of the Company were 9 (December 31, 2023: 9).

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, deposits, advances, interest accrued, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | June 30, 2024 | December 31, 2023 |
|------------------------|----------------------|-------------------|
| | (Rupees in thousand) | |
| Trade debts | 1,785,285 | 378,685 |
| Deposits | 84,100 | 86,637 |
| Advances | 120,749 | 125,365 |
| Interest accrued | - | 32,712 |
| Other receivables | 13,375,740 | 8,443,847 |
| Short term investments | 29,854,746 | - |
| Bank balances | 22,912,805 | 39,963,053 |
| <i>S.S.P.</i> | <u>68,133,425</u> | <u>49,030,299</u> |

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country.

The Company has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 10,368 million (December 31, 2023: Rs 4,486 million) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The remaining amount includes Rs. 1,911 million (December 31,2023: Rs.190 million) receivable from various related parties (refer to note 22), mainly in respect of transactions in the normal course of business.

Trade debts are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts and advances to employees.

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

37.2 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 | December 31, 2023 |
|--|--------|-------------------|-------------------|
| (Rupees in thousand) | | | |
| Trade Debts | | | |
| Counterparties without external credit ratings | | | |
| Existing customers with no default in the past | | <u>1,785,285</u> | <u>378,685</u> |
| Deposits | | | |
| Counterparties without external credit ratings | | | |
| Others | | <u>84,100</u> | <u>86,637</u> |
| Advances | | | |
| Counterparties without external credit ratings | | | |
| Others | | <u>120,749</u> | <u>125,365</u> |
| Interest accrued | | | |
| Counterparties without external credit ratings | | | |
| Others | | <u>-</u> | <u>32,712</u> |
| Other receivables | | | |
| Counterparties with external credit ratings | | | |
| Receivable from related party | AA+ | <u>10,368,013</u> | <u>4,486,638</u> |
| Counterparties without external credit ratings | | | |
| Receivable from Government of Pakistan | | <u>3,160,992</u> | <u>3,160,992</u> |
| Receivable from others including related parties | | <u>3,007,727</u> | <u>3,957,209</u> |

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Short term investments

| Fund Name | Credit Rating Agency | Rating | June 30, 2024 | December 31, 2023 |
|-------------------------------------|----------------------|--------|----------------------|-------------------|
| | | | (Rupees in thousand) | |
| JS Govt Securities Fund | PACRA | AA(f) | 38 | 35 |
| Faysal Islamic Cash | VIS | AA(f) | 2,288,069 | 515,185 |
| Al Falah Islamic Rozana Amdani Fund | PACRA | AA(f) | 3,859,748 | 3,548,457 |
| Al Habib Islamic Cash Fund | PACRA | AA+(f) | 2,072,551 | 2,506,781 |
| HBL Islamic Money Market Fund | VIS | AA+(f) | 2,132,934 | 1,004,951 |
| NBP Islamic Daily Dividend Fund | PACRA | AA+(f) | 2,152,225 | 1,004,813 |
| Al-Amin Islamic Cash Plan Fund | VIS | AA+(f) | - | 502,129 |
| ABL Islamic Cash Fund | PACRA | AA+(f) | 1,668,060 | 1,506,146 |
| JS Islamic Daily Dividend Fund | PACRA | AA(f) | - | 3,007,643 |
| Faysal Islamic Sovereign Plan-1 | VIS | AA(f) | 548,421 | 3,005,422 |
| Pak Cash Management Fund | PACRA | AA+(f) | 1,088,415 | 1,001,981 |
| Meezan Islamic Amdani Fund | VIS | AA+(f) | - | 4,091,791 |
| Faysal Halal Amdani Fund | PACRA | AA(f) | 2,035,426 | - |
| MCB CM Optim Fund | PACRA | AA+(f) | 478 | 440 |
| JS Cash Fund | PACRA | AA+(f) | 5,014,212 | 4,598,890 |
| Atlas Money Market Fund | PACRA | AA+(f) | 684,993 | 921,617 |
| ABL Cash Fund | PACRA | AA+(f) | 1,137,651 | 1,047,728 |
| Lakson Money Market | PACRA | AA+(f) | 455,675 | 516,864 |
| HBL Money Market/Cash Fund | VIS | AA+(f) | 727,648 | 668,942 |
| Faysal Money Market Fund | PACRA | AA(f) | 32 | 30 |
| First Habib Cash Fund | VIS | AA+(f) | 2,847,596 | 2,142,936 |
| NAFA Money Fund | PACRA | AA(f) | 1,138,427 | 1,046,691 |
| Alfalah GHP Money Market Fund | PACRA | AA+(f) | 2,146 | - |
| UBL Liquidity Plus Fund | VIS | AA+(f) | - | 1,046,049 |
| | | | <u>29,854,746</u> | <u>33,685,524</u> |

Bank balances

| Bank Name | Credit Rating Agency | Short Term Rating | Long Term Rating | June 30, 2024 | December 31, 2023 |
|-------------------------|----------------------|-------------------|------------------|----------------------|-------------------|
| | | | | (Rupees in thousand) | |
| Deposit Account | | | | | |
| Al- Baraka Bank | VIS | A-1 | A+ | 1,233 | 1,201 |
| Allied Bank Limited | PACRA | A1+ | AAA | 2 | 2 |
| Askari Bank Limited | PACRA | A1+ | AA+ | 7,346,254 | 3,428,561 |
| Bank Al Habib Limited | PACRA | A1+ | AAA | - | 273,793 |
| Bank Al Falah Limited | PACRA | A1+ | AAA | 563,195 | 6,007,503 |
| Bank Islami | PACRA | A1 | AA- | 4,280 | 3,018,485 |
| Bank of Punjab | PACRA | A1+ | AA+ | 5,102,303 | 5,219,252 |
| Dubai Islamic Bank | VIS | A-1+ | AA | 22,206 | - |
| Faysal Bank Limited | VIS | A-1+ | AA | 964,689 | 3,224,119 |
| Habib Metropolitan Bank | PACRA | A1+ | AA+ | 12 | 14 |
| Habib Bank Limited | VIS | A-1+ | AAA | 81,935 | 66,398 |

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Bank balances

| Bank Name | Credit Rating Agency | Short Term Rating | Long Term Rating | June 30, 2024 (Rupees in thousand) | December 31, 2023 |
|---------------------------------------|----------------------|-------------------|------------------|---------------------------------------|-------------------|
| Habib Microfinance Bank Limited | PACRA | A1 | A+ | 6,716 | 2,004,360 |
| JS Bank Limited | PACRA | A1+ | AA | 245,491 | 1,046,845 |
| Muslim Commercial Bank Limited | PACRA | A1+ | AAA | 367,853 | 337,841 |
| Muslim Commercial Islamic Bank Limil | PACRA | A1 | A+ | 1,056,002 | 1,825,838 |
| Meezan Bank Limited | VIS | A-1+ | AAA | 3,528,588 | 5,693,839 |
| National Bank of Pakistan | VIS | A-1+ | AAA | 1,404,764 | 2,062,658 |
| Samba Bank Limited | PACRA | A1 | AA | 28,812 | 798,745 |
| Silk Bank | VIS | A-2 | A- | 42,054 | 352,551 |
| Soneri Bank Limited | PACRA | A1+ | AA- | 1,810,173 | 4,264,887 |
| The Bank of Khyber | PACRA | A1+ | A+ | 156,893 | 160,109 |
| United Bank Limited | VIS | A1 | AAA | 44,676 | 41,104 |
| Current Account | | | | | |
| Standard Chartered Bank | PACRA | A-1+ | AAA | 99 | 99 |
| Industrial and Commercial Bank of Chi | S&P | A-1+ | A | 318 | 318 |
| United Bank Limited | VIS | A-1+ | AAA | 128,719 | 128,944 |
| Foreign Currency Account | | | | | |
| Habib Bank Limited | VIS | A-1+ | AAA | 5,464 | 5,511 |
| Silk Bank | VIS | A-2 | A- | 76 | 76 |
| | | | | <u>22,912,805</u> | <u>39,963,053</u> |

Impairment losses

As at the reporting date trade debts of Rs. Nil (December 31, 2023: Rs 65 million) were overdue up to 30 days. An impairment analysis is performed at each reporting date using a probability of default method to measure expected credit losses (ECL). The probability of default (PD) rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability - weighted outcome, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions. Whereas, the loss given default is based upon external credit rating of banks who have issued the letter of guarantees to the customers. Accordingly, the Company assess that any ECL on trade debts will be minimal. This is supported by absence of any loss in prior periods and management is confident that this loss rate will be minimally affected by current conditions and, reasonable and supportable forecasts. Therefore, the Company has not recorded any ECL on trade debts.

As per historical pattern, the amount due from Fauji Fertilizer Company Limited is settled within a week. Accordingly, there is no significant risk of ECL in respect of this balance. Similarly, amounts from other related parties are settled in normal course of business and there is no significant risk of ECL.

Being low risk instruments, the Company has assessed an allowance on its balances with banks based on 12 months ECL. Based upon above mentioned high credit ratings, ECL rate on bank balances and short term investments round to

In the previous years, the Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its long term investment as explained in note 15.4.

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37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 11 to the financial statements.

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

| June 30, 2024 | Carrying amount | Contractual cash flows | Within 1 year | 1 to 5 years | More than 5 years |
|---|--------------------|---------------------------|-------------------|-------------------|----------------------|
| (Rupees in thousand) | | | | | |
| Long-term loans including mark- | 13,376,503 | 13,376,530 | 5,816,980 | 7,559,550 | - |
| Trade and other payables | 55,650,535 | 55,650,535 | 55,650,535 | - | - |
| Short-term borrowings including mark- up | 20,050,959 | 20,050,959 | 20,050,959 | - | - |
| | <u>89,077,997</u> | <u>89,078,024</u> | <u>81,518,474</u> | <u>7,559,550</u> | <u>-</u> |
| December 31, 2023 | Carrying amount | Contractual cash flows | Within 1 year | 1 to 5 years | More than 5 years |
| (Rupees in thousand) | | | | | |
| Long-term loans including mark-up | 18,868,266 | 25,987,684 | 8,615,190 | 17,372,494 | - |
| Trade and other payables | 54,186,188 | 54,186,188 | 54,186,188 | - | - |
| Short term borrowings including mark- up | 13,489,319 | 13,489,319 | 13,489,319 | - | - |
| | <u>86,543,773</u> | <u>93,663,191</u> | <u>76,290,697</u> | <u>17,372,494</u> | <u>-</u> |

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

The contractual cash flow relating to long-term borrowings and short-term borrowings have been determined on the basis of expected mark up rates. The mark-up rates as at reporting date have been disclosed in note 5 and note 11 to these financial statements respectively.

37.4 Market risk

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

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37.4.1 Currency risk

Exposure to Currency Risk

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

| | June 30, 2024 | | December 31, 2023 | |
|---------------|---------------------|-----------------------|---------------------|-----------------------|
| | Rupees in thousand | US Dollar in thousand | Rupees in thousand | US Dollar in thousand |
| Bank balances | 5,540 | 20 | 5,588 | 20 |
| Creditors | (13,776,725) | (49,414) | (14,136,537) | (50,059) |
| Net exposure | <u>(13,771,185)</u> | <u>(49,394)</u> | <u>(14,130,949)</u> | <u>(50,039)</u> |

The following significant exchange rate applied during the year:

| | Average rates | | Reporting date rate (Bid-Offer average) | |
|------------|---------------|-------------------|--|-------------------|
| | June 30, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
| US Dollars | 279.30 | 280.53 | 278.80 | 282.40 |

Sensitivity analysis

A 15% strengthening of the functional currency against USD at June 30 would have increased profit and loss before levy and tax by Rs. 2,065 million (December 31, 2023: Rs. 2,120 million). A 15% weakening of the functional currency against USD at June 30, 2024 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

37.4.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from banks and short term deposits with banks. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is:

| | June 30, 2024 | December 31, 2023 |
|----------------------------------|----------------------|-------------------|
| | (Rupees in thousand) | |
| Fixed rate instruments | | |
| Financial liabilities | <u>1,000,000</u> | <u>22,936,209</u> |
| Variable rate instruments | | |
| Financial assets | <u>22,783,669</u> | <u>39,833,691</u> |
| Financial liabilities | <u>31,890,139</u> | <u>31,143,625</u> |

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments as all of these are of a short term nature.

Cash flow sensitivity analysis for variable rate instruments

A change of 400 basis points in interest rates would have increased / (decreased) profit before levy and tax by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or loss | |
|---|---------------------------|---------------------------|
| | 400 basis points increase | 400 basis points decrease |
| | (Rupees in thousand) | |
| June 30, 2024 | | |
| Cash flow sensitivity-variable rate instruments | <u>(364,259)</u> | <u>364,259</u> |
| December 31, 2023 | | |
| Cash flow sensitivity-variable rate instruments | <u>347,603</u> | <u>(347,603)</u> |

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Market price risk

For investments at fair value through profit or loss, a 100 basis point increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 299 million (December 31, 2023: Rs. 337 million)

37.5 Fair values

Fair value versus carrying amounts

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

| | Note | June 30, 2024 | | December 31, 2023 | |
|---|---------|-------------------|-------------------|-------------------|-------------------|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| (Rupees in thousand) | | | | | |
| Assets carried at amortized cost | | | | | |
| Trade debts | 18 | 1,785,285 | 1,785,285 | 378,685 | 378,685 |
| Deposits | | 84,100 | 84,100 | 86,637 | 86,637 |
| Advances | | 120,749 | 120,749 | 125,365 | 125,365 |
| Interest accrued - net of provision | | - | - | 32,712 | 32,712 |
| Other receivables - net of provision | 22 | 13,375,740 | 13,375,740 | 8,443,847 | 8,443,847 |
| Cash and bank balances | 25 | 22,913,552 | 22,913,552 | 39,964,014 | 39,964,014 |
| | | <u>38,279,426</u> | <u>38,279,426</u> | <u>49,031,260</u> | <u>49,031,260</u> |
| Assets carried at fair value | | | | | |
| Short-term investments - Investments at fair value through profit or loss | 24 | <u>29,854,746</u> | <u>29,854,746</u> | <u>33,685,524</u> | <u>33,685,524</u> |
| (Rupees in thousand) | | | | | |
| Liabilities carried at amortized cost | | | | | |
| Long term loans including accrued interest | 5 & 10 | 13,376,503 | 13,376,503 | 18,868,266 | 18,868,266 |
| Trade and other payables | 8 | 55,650,535 | 55,650,535 | 54,186,188 | 54,186,188 |
| Short-term borrowings including accrued interest | 10 & 11 | 20,050,959 | 20,050,959 | 13,489,319 | 13,489,319 |
| | | <u>89,077,996</u> | <u>89,077,996</u> | <u>86,543,773</u> | <u>86,543,773</u> |

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments excluding payable against GIDC, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in the market rate and rate of the instruments and most of the fixed rate instruments, excluding payable against GIDC, are short term in nature, therefore fair value significantly approximates to carrying value (refer to note 8.2 for discussion of fair value of payable against GIDC) as of reporting date.

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values, excluding payable against GIDC.

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Fair value hierarchy

The table below analyses financial instruments carried at fair value and assets for which fair value are disclosed by level of fair value hierarchy for the year ended December 31, 2023. The different levels have been defined as follows:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes has occurred.

| | Level 1 | Level 2 | Level 3 |
|---|-------------------|----------|----------|
| | (Rupees '000) | | |
| June 30, 2024 | | | |
| Assets carried at fair value | | | |
| Short term investments - investment in mutual funds | <u>29,854,746</u> | <u>-</u> | <u>-</u> |
| December 31, 2023 | | | |
| Assets carried at fair value | | | |
| Short term investments - investment in mutual funds | <u>33,685,524</u> | <u>-</u> | <u>-</u> |

37.6 Fair value estimation

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

Investment in fair value through profit or loss - Mutual funds

The fair value, which is determined for disclosure purposes, is calculated by an external valuer and are classified as level 3 in fair value hierarchy.

The investment in quoted funds are determined by reference to bid price offered by the respective asset management company at the reporting date at level 1 in fair value hierarchy.

Investment in subsidiaries and associates

The Company has assessed the recoverable amount of investment in Fauji Foods Limited based on higher of value in use and fair value (level 1 in fair value hierarchy- quoted market price as June 30, 2024). Value in use has been assessed on discounted cash flow based valuation methodology. For detailed description of significant assumptions used in the

Non - derivative financial assets

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value of investment property.

The fair value, which is determined for disclosure purposes, are classified as level 3 in fair value hierarchy.

37.7 The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital

The total debt to total capital ratio as at June 30, 2024 based on total debt of Rs. 32,890 million and total equity of Rs. 36,502 million was 47:53 (December 31, 2023: 54:46).

The Company finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

38 RELATED PARTY TRANSACTIONS AND BALANCES

The Company has related parties which comprise of subsidiaries, a joint venture, entities under common directorship, directors, key management personnel, shareholders and employees' funds. Fauji Fertilizer Company Limited (FFCL) has a 49.88% share holding in the Company (December 31, 2023: 49.88%), while Fauji Foundation (FF) holds 18.29% shares (December 31, 2023: 18.29%) in the Company. Transactions with related parties and the balances outstanding, other than those which have been disclosed elsewhere in these financial statements are given below. The carrying values of the investment in related parties are disclosed in note 15, respectively, to the financial statements.

| | Six month period ended June 30, 2024 | Year ended December 31, 2023 |
|---|--|------------------------------------|
| | (Rupees in thousand) | |
| Transactions with Fauji Foundation | | |
| Donations | 360,835 | 341,940 |
| Services received | 265,000 | 179,650 |
| Payment against services | 58,224 | 111,058 |
| Receipt against sale of investment in FML | - | 4,300,000 |
| Transactions with the subsidiary companies | | |
| FFBL Power Company Limited | | |
| Material / services provided | 549,388 | 860,828 |
| Material / services received | 11,523,850 | 19,025,865 |
| Receipt against material / services | 460,667 | 852,830 |
| Payment against material / services | 12,294,836 | 24,708,018 |
| Late payment surcharge during the period / year | - | 474,321 |
| Dividend received | - | 2,250,000 |
| Fauji Foods Limited | | |
| Material / services provided | 3,022 | 25,172 |
| Receipt against material / services | 16,476 | 9,718 |
| Share deposit money converted into ordinary share capital | - | 708,750 |
| Guarantee fee received | 32,712 | 2,712 |
| Guarantee fee and mark-up receivable | - | 32,712 |

Signature

| | June 30, 2024 | December 31, 2023 |
|--|----------------------|----------------------|
| | (Rupees in thousand) | |
| Transactions with associated undertakings due to common directorship | | |
| Fauji Fertilizer Company Limited | | |
| Services and material acquired | 1,119,613 | 1,811,540 |
| Services and material provided | - | 765 |
| Receipts under consignment and current account | 76,701,741 | 236,814,837 |
| Commission charged to the Company | 11,337 | 24,369 |
| Fauji Meat Limited (Subsidiary during the period ended June 30, 2023) | | |
| Material / services provided | 19,328 | 42,236 |
| Receipt against material / services | 32,987 | 35,396 |
| Askari Bank Limited | | |
| Profit on bank balances | 1,001,541 | 2,606,949 |
| Transactions with joint venture | | |
| Pakistan Maroc Phosphore S.A., Morocco | | |
| Purchase of raw materials | 38,287,269 | 77,067,787 |
| Expenses incurred on behalf of joint venture | 6,390 | 5,406 |
| Receipts against material/ services | 3,337 | - |
| Late payment surcharge during the period / year | - | 93,470 |
| Other related parties | | |
| Contribution to provident fund | 41,710 | 75,287 |
| Payment to gratuity fund | 93,435 | 304,231 |
| Payment to Workers' (Profit) Participation Fund | 67,577 | 861,543 |
| Meeting fee | 7,050 | 20,200 |
| Remuneration of key management personnel | | |
| Short term benefits | 203,318 | 247,001 |
| Post employment benefit | 40,743 | 41,361 |
| Balances with related parties: | | |
| Fauji Foundation | | |
| Balance payable at period / year end | 311,489 | 356,428 |
| Balances with subsidiary companies: | | |
| FFBL Power Company Limited | | |
| Balance payable at period / year end | 1,691,420 | 2,462,406 |
| Balance receivable at period / year end | 234,121 | 148,760 |

Signature

| | June 30, 2024 | December 31, 2023 |
|--|------------------------|----------------------|
| | (Rupees in thousand) | |
| Fauji Foods Limited | | |
| Balance receivable at period / year end | 2,000 | 15,454 |
| Balances with associates: | | |
| Fauji Fertilizer Company Limited | | |
| Balance receivable at period / year end | 10,368,013 | 4,486,638 |
| Fauji Meat Limited (Subsidiary during the period ended June 30, 2023) | | |
| Balance receivable at period / year end | 10,525 | 24,184 |
| Askari Bank Limited | | |
| Balances at bank | 7,346,273 | 3,325,649 |
| Pakistan Maroc Phosphore S.A., Morocco | | |
| Balance payable at the period / year end - secured | 13,776,725 | 14,188,385 |
| Balance receivable at the period / year end - unsecured | 6,390 | 3,337 |
| Dividend receivable at the period / year end | 1,659,664 | - |
| Other related parties | | |
| Balance payable - unsecured (WPPF) (Receivable from) / payable to gratuity fund | 1,044,686 (118,759) | 66,516 94,566 |

In addition to the above:

- the Company has provided sponsor support, to lenders of project financing arranged by FPCL, to fund any shortfall, to the extent FPCL is unable to fulfil its financial obligations:

(i) up to Rs. 29,150 million (December 31, 2023: Rs. 29,150 million) and all cost over runs, till technical complet

(ii) up to Rs. 8,000 million after project completion date.

38.1 Detail of related parties

| Name of related party | Basis of relationship | Percentage holding |
|---|-------------------------------------|--------------------|
| Fauji Foundation (FF) | Common Directorship | - |
| Fauji Fertilizer Company Limited (FFCL) | Common Directorship | - |
| Pakistan Maroc Phosphore (PMP) | Joint Venture / Common Directorship | 25.00% |
| Fauji Foods Limited (FFL) | Subsidiary / Common Directorship | 47.84% |
| FFBL Power Company Limited (FPCL) | Subsidiary / Common Directorship | 75.00% |
| Askari Bank Limited (AKBL) | Associate Company / Common | 21.57% |
| Fauji Meat Limited (FML) | Associate Company / Common | - |
| FFBL Gratuity Fund | Employee benefit fund | - |
| FFBL Provident Fund | Employee benefit fund | - |
| FFBL Workers' (Profit) Participation Fund | Employee benefit fund | - |

FFBL

39 CORRESPONDING FIGURES

39.1 The corresponding figures have been reclassified and restated 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 wherever necessary including the bank balances held under lien for an aggregate amount of Rs. 4,007 million in the statement of cashflows.

39.2 The 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 compliance of the foregoing, 'in the interim statement of financial position and interim statement of profit or loss, the final taxes previously presented as "provision for income taxes" and "taxation" have now been reclassified as "provision for levies -net" in trade and other payables and "final taxes - levies" under IAS 37 / IFRIC 21 respectively.

Accordingly, figures in special purpose statement of cashflows have also been reclassified to conform to the current year's presentation.

40 EVENTS AFTER REPORTING PERIOD

In the EOGM held on August 19, 2024, shareholders of the Company authorized:

- The sale of land measuring 166,387 acres located in Pindi Bhattian, Hafizabad, Punjab to Fauji Foundation for total price of Rs. 856,458 thousand. The land is classified as investment property at period end as disclosed in note 14.
- That subject to approval by Securities Exchange Commission of Pakistan (SECP), the registered office of the Company be shifted from Islamabad (FFBL Tower C1/C2, Sector B, Jinnah Boulevard. Phase II DHA, Islamabad) to the province of Punjab (156- The Mall Rawalpindi Cantt) and the memorandum of association to be ammended accordingly.

| | Note | June 30, 2024 | December 31, 2023 |
|---------------------------------|------|------------------|----------------------|
| | | (Tonnes) | |
| 41 GENERAL | | | |
| 41.1 Production capacity | | | |
| Design capacity | | | |
| Urea | 41.2 | 551,100 | 551,100 |
| DAP | 41.2 | 650,000 | 650,000 |
| Actual production | | | |
| Urea | | 229,819 | 336,107 |
| DAP | | 391,902 | 660,004 |

41.2 The designed capacity reflects annual production whereas the actual production is for six month period only.

| | June 30, 2024 | December 31, 2023 |
|--|------------------|----------------------|
| | (Numbers) | |
| 41.2 Number of persons employed | | |
| Employees at period / year end | 887 | 820 |
| Average employees during the period / year | 862 | 822 |

Signature

41.3 Employees Provident Fund

Investments out of provident fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the rules formulated thereunder.

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

41.5 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed as required under Paragraph 10 of Part I of the 4th Schedule to the Companies Act, 2017 relating to "All Shares Islamic Index".

| Description | 2024 | 2023 |
|---|----------------------|------------|
| | (Rupees in thousand) | |
| Long-term loans as per Islamic mode | 4,062,500 | 2,250,000 |
| Shariah compliant bank deposits and bank balances | 6,336,625 | 17,977,541 |
| Profit earned from Shariah compliant bank deposits / balances | 521,048 | 368,039 |
| Dividend from Shariah compliant investments | 1,808,093 | 252,017 |
| Mark-up on Islamic mode of financing | 396,903 | 985,376 |
| Interest on conventional loans | 1,657,522 | 7,199,501 |

The Company has business relationship with Islamic banks in ordinary course of business. Disclosures other than above are not applicable to the Company.

41.6 The Board of Directors in their meeting held on 20 Sep 20, 2024 have authorized the financial statements for issue and proposed a final dividend of Rs. NIL per ordinary share.

Signature
CHAIRMAN

Signature
CHIEF EXECUTIVE DIRECTOR

Signature
CHIEF FINANCIAL OFFICER

**FAUJI FERTILIZER BIN QASIM LIMITED**

Sona Tower, 156- The Mall, Rawalpindi

Phone No 051 8450001 Fax No 051 8763304

Email: shares@ffbl.com Website: www.ffbl.com

BALLOT PAPER FOR VOTING THROUGH POST

For voting through post for the Special Business at the Extraordinary General Meeting of Fauji Fertilizer Bin Qasim Limited to be held on November 04, 2024 at 11:30hrs at Sona Tower, 156-The Mall, Rawalpindi.

Designated email address of the Chairman at which duly filled ballot paper may be sent: secretary@ffbl.com

| | |
|---|--|
| Name of shareholder/joint shareholders | |
| Registered Address | |
| Number of shares held and Folio No. / CDC account No | |
| CNIC Number (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: | |

Special Resolutions**Agenda Item 1**

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 the Company with and into Fauji Fertilizer Company Limited, 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 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.”

I/We hereby exercise my / our vote in respect of above-mentioned special resolution 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 Resolutions (FOR) | I/We dissent to the Resolutions (AGAINST) |
|---------|---|---|--------------------------------------|---|
| 1 | Special Resolution as per Agenda # 1 (as given above) | | | |

Signature of shareholder(s)

Place: _____

Date: _____

NOTES:

1. Dully filled postal ballot should be sent to chairman at FFBL Tower, C1/C2, Sector-B, Jinnah Boulevard, DHA-II, Islamabad, Pakistan or through email at secretary@ffbl.com
2. Copy of CNIC should be enclosed with the postal ballot form
3. Postal ballot forms should reach chairman of the meeting till 5:00 pm, 02 November 2024. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.

Form of Proxy
Extraordinary General Meeting

The Company Secretary
Fauji Fertilizer Bin Qasim Limited
Sona Tower, 156-The Mall,
Rawalpindi.

I/We, _____ of _____, being a Member(s) of FAUJI FERTILIZER BIN QASIM LIMITED, holder of _____ ordinary shares as per registered Folio No. _____ hereby appoint Mr. / Mst. _____ Folio No (if member) _____ of _____ or failing him/her Mr. / Mst _____ Folio No (if member) _____ of _____ as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the Extraordinary General Meeting of the Company to be held on November 04, 2024 and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 2024.

| |
|---------------------------------------|
| Affix Revenue Stamp of Rs. 50/- |
|---------------------------------------|

Signature should agree
with the specimen
signature registered
with the Company

Signed in the presence of:

Signature of Witness-1

Signature of Witness-2

Notes:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.

1. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarized copy of such power of attorney shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument purposes to vote, and in default the instrument of a proxy shall not be treated as valid.

پراکسی فارم
غیر معمولی اجلاس عام

کمپنی سیکریٹری
فوجی فرٹیلا بیزرین قاسم لمیٹڈ
ایف ایف بی ایل ٹاور، سی 1 / سی 2، سیکٹر بی،
جناح بلیوارڈ، ڈی ایچ اے -2
اسلام آباد

میں / ہم بحیثیت ممبر(ز) فوجی فرٹیلا بیزرین قاسم لمیٹڈ اور حامل عام
حصص رجسٹرڈ فولیو نمبر محترم / محترمہ رجسٹرڈ فولیو نمبر (اگر ممبر
ہے) یا انکے حاضر نہ ہوسکنے کی صورت میں محترم / محترمہ رجسٹرڈ
فولیو نمبر (اگر ممبر ہے) کو اپنی / ہماری عدم موجودگی میں کمپنی کے 4 نومبر 2024 کو ہونے والے
غیر معمولی اجلاس عام میں شرکت کرنے، حق رائے دہی استعمال کرنے یا کس بھی التواء کی صورت میں اپنا /
ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔
میرے / ہمارے دستخط آج بتاریخ 2024 ہوئے۔

پچاس روپے کے ریونیو ٹکٹ
چسپاں کریں

..... دستخط
دستخط کا کمپنی میں موجود دستخطی
نمونے سے مشابہت ہونا ضروری ہے

دستخط درج ذیل گواہان کی موجودگی میں کئے گئے

دستخط گواہ -2

دستخط گواہ -1

اہم نکات:

1- پراکسی مقرر کرنے کیلئے یہ دستاویز مقرر کرنے والے یا اسکے نمائندے کے ہاتھ سے پُر کی جانی چاہیے یا
اگر مقرر کنندہ کارپوریشن (کمپنی) ہے تو دستاویز پر کمپنی کی مہر ہو یا کمپنی کے نمائندہ کے ہاتھ سے پُر
کی جائے۔ ایسے کسی بھی شخص کو پراکسی مقرر نہیں کیا جا سکتا جو ووٹ ڈالنے کی اہلیت کا حامل
کمپنی کا ممبر نہ ہو، ماسوائے کارپوریشن (کمپنی) کے جو کسی غیر ممبر کو پراکسی مقرر کرسکتی ہے۔

2- یہ پراکسی / دستاویز اور پاور آف اٹارنی یا دیگر اختیار (اگر کوئی ہے) جن کے تحت یہ پراکسی
دی جارہی ہے کی تصدیق شدہ نقل اجلاس کے انعقاد، جس میں نامزد شخص ووٹ ڈالنا چاہتا ہے، سے کم از کم 48
گھنٹے قبل کمپنی کے دفتر میں موصول ہونی چاہیے۔ بصورتِ دیگر دستاویز کالعدم قرار دے دی جائے گی۔